FOREIGN
BROADCAST
INFORMATION
SERVICE

Daily Report

Latin America

FBIS-LAT-95-171
Tuesday
5 September 1995

Daily Report
Latin America

FBIS-LAT-95-171 **CONTENTS** *5 September 1995*

CARIBBEAN

Cuba

Castro Attends Ceremony Marking Vietnam's Independence *[Havana Radio]* 1
Castro Defends Emigrees Taking Part in Foreign Investment *[PRENSA LATINA]* 1
Castro States Investments Will Be Verified, Guaranteed *[PRENSA LATINA]* 1
Castro Addresses ANPP on Use of Natural Resources *[Havana Radio]* 2
Weekly Stresses Lost U.S. Investment *[PRENSA LATINA]* 2
Developments in Foreign Investment Bill Deliberations 3
  Foreign Investment Bill Report Approved *[PRENSA LATINA]* 3
  Alarcon Opens National Assembly Session *[Havana Radio]* 4
  CTC Meets on Foreign Investment Bill *[Havana Radio]* 4
  Foreign Investment Law Previewed *[PRENSA LATINA]* 5
  Deputies on Investment Bill Debate *[Havana Radio]* 6
  ANPP Discussion of Draft Begins *[Havana Radio]* 6
  Bill 'To Defend and Develop Socialism' *[Havana TV]* 7
Radio Havana Comments on Panama Canal Transfer *[Havana Radio]* 8
Ambassador to Russian Federation Appointed *[Havana TV]* 8
Libyan Ambassador Says Relations 'Very Positive' *[PRENSA LATINA]* 8
Reportage on Cuban Exile Proposed Flotilla Provocation 9
  Miami-Based Cuban Reactions Reported *[Havana Radio]* 9
  Andres Gomez Censures Flotilla *[Havana Radio]* 9
  Flotilla's Failure Reported *[Havana Radio]* 10
  Indifference to Convoy's Cancellation *[NOTIMEX]* 10
  Failed 'Propaganda Show' *[Havana Radio]* 11

Haiti

AAN Director Interviewed on Privatization of Airport *[Port-au-Prince Radio]* 11
Finance Minister Threatens To Resign, Rejects Privatization *[Port-au-Prince Radio]* 11
TNH Inaugurates Programs on Privatization *[Port-au-Prince Radio]* 12
Unions Take Stand Against Privatization *[Port-au-Prince Radio]* 12
Radio Reports Demonstration Against Privatization *[Port-au-Prince Radio]* 13

MEXICO

Zedillo's State of Nation Address *[Mexico City Radio]* 14
Party Leaders React to Zedillo Speech *[Mexico City TV]* 24
Zedillo Meets Senate Leaders *[LA JORNADA 31 Aug]* 25

CENTRAL AMERICA

El Salvador

Government Studies Trade, Diplomacy With Cuba *[LA PRENSA GRAFICA 1 Sep]* 28
Defense Official: Cuban Ties 'Unadvisable' *[EL DIARIO DE HOY 2 Sep]* 28
Deputies Debate Relations With Cuba *[LA PRENSA GRAFICA 1 Sep]* 29
National Assembly Deputy on Trade With Cuba *[San Salvador TV]* 29
Solidarity Group With Cuba Urges End to Blockade *[DIARIO LATINO 31 Aug]* 30

Honduras

Reina Interviewed on Civilian Police Transfer *[Tegucigalpa Radio 1 Sep]* 31
Reina: Hondurans To Decide on Number of Children *[ACAN]* 32
Reina Condemns Murder of Treasury Police Head *[ACAN 2 Sep]* 32
Foreign Minister: U.S. Policy 'Contradictory' *[TIEMPO 1 Sep]* 33
Minister: Efforts Against U.S. Quotas Retained *[Tegucigalpa Radio 1 Sep]* 33

Nicaragua

Army Chief Views San Andres, DEA, Armed Groups *[Managua TV]* 33
Borge Explains FSLN Economic Proposal *[BARRICADA 1 Sep]* 34

Panama

Foreign Minister Denies Plans To Resign *[LA ESTRELLA DE PANAMA 2 Sep]* 36
Foreign Minister Discusses U.S. Military Bases *[EL SIGLO 2 Sep]* 36
Paper: Panama Cannot Adequately Defend Canal *[LA ESTRELLA DE PANAMA 3 Sep]* 37
Paper: Panama Must Decide on Options for Bases *[MAGAZINE DOMINICAL EL SIGLO 3 Sep]* 37
LA PRENSA Newspaper Joins Internet *[1 Sep]* 37

SOUTH AMERICA

Bolivia

New Defense Minister Seeks 'Modernization' of Armed Forces *[La Paz Radio]* 39
UCS Leader Outlines Party's Position Toward Administration *[LA RAZON 9 Aug]* 39

Brazil

Executive Branch Submits 1996 Budget Bill to Congress *[AGENCIA ESTADO]* 39
Government Sends Corporate Tax Bill to Congress *[Brasilia Radio]* 40
Minister Reports Multinational Company Investment Plans *[AGENCIA ESTADO]* 40
Report Views Monetary Reserve Investment *[JORNAL DO BRASIL 27 Aug]* 41

Chile

Minister Evaluates Performance of Economy *[EL MERCURIO 30 Aug]* 41
Business Confederation Appoints NAFTA Coordinator *[LA TERCERA DE LA HORA 2 Aug]* 43
Carabineros Chief Opposes Changes in Military Law *[Santiago TV]* 43
Socialist Party President Advocates Human Rights Bill *[LA EPOCA 31 Aug]* 44
Economy Minister Advocates Competition *[LA EPOCA 30 Aug]* 44

Colombia

Botero Denies Implicating Samper in Use of Illicit Money *[Santa Fe de Bogota TV]* 46
Samper's Campaign Treasurer To Cooperate *[Madrid EFE]* 47
De la Calle Denies Campaign To Destabilize Samper *[Madrid EFE]* 48
Interior Minister Feels Samper Strengthened by Crisis *[Santa Fe de Bogota Radio]* 48
President Decrees New, Tougher Antikidnapping Measures *[Santa Fe de Bogota TV]* 48
Human Rights Ombudsman Leaves Country Due to Threats *[Santa Fe de Bogota TV]* 49
    Attorney General Comments *[Santa Fe de Bogota TV]* 49
President Announces New Measures for Uraba *[Santa Fe de Bogota TV]* 49
Prosecutor Says State of Internal Disturbance Useful *[Santa Fe de Bogota TV]* 50

Ecuador

Alarcon Says Dahik Trial To Strengthen Democracy *[Madrid EFE]* 50
Army Commander Praises Peru's Fujimori *[Madrid EFE]* 51
Alarcon Cites Need for More Trust With Peru *[Madrid EFE]* 51
Peruvian Ambassador Signals Progress in Relations *[HOY 25 Aug]* 52
Additional Bodyguards To Protect Peru's Fujimori *[Quito Radio]* 52
Foreign Minister Comments on Rio Group Summit 52
    Cuban Issue on Agenda *[AFP]* 52
    Bilateral Actions Possible *[Quito Radio]* 53

Paraguay

Judge Rejects Indictment of Army Commander Oviedo *[ABC COLOR 1 Sep]* 53
Military Commander Says Armed Forces Support Wasmosy *[ABC COLOR 1 Sep]* 54
Military Commanders Receive 'Unusual Tour' *[ABC COLOR 1 Sep]* 54

Peru

'Outstanding Agenda' Urged for Rio Group *[EXPRESO 16 Aug]* 55
Congress Supports Cabinet; Opposition Wants Specifics *[Madrid EFE]* 56
Private Sector Set To Double GDP *[ANDINA]* 56
Experts Urge More Investments for Job Creation *[EL COMERCIO 30 Jul]* 57

Cuba

Castro Attends Ceremony Marking Vietnam's Independence

FL0209143895 Havana Radio Progreso Network in Spanish 1000 GMT 2 Sep 95

[From the "First Thing" program]

[FBIS Translated Text] Last night, Commander in Chief Fidel Castro attended a reception marking the 50th anniversary of Vietnam's independence and the end of foreign domination in that country. The reception, hosted by Ambassador Le Duc Anh, was also attended by former Nicaraguan President Daniel Ortega and Politburo members Carlos Lage Davila, vice president of the Council of ministers, Ricardo Alarcon, president of the National Assembly of the People's Government, Foreign Minister Roberto Robaina, and Division General Ulises Rosales del Toro.

Castro Defends Emigrees Taking Part in Foreign Investment

PA0409214095 Havana PRENSA LATINA in Spanish 1959 GMT 4 Sep 95

[FBIS Translated Text] Havana, 4 Sep (PL) — The law on foreign investments that is under discussion is not for the country to become someone's property, Cuban President Fidel Castro stated in this capital.

The Cuban chief of state participated in the first meeting of the fifth period of sessions of the fourth Legislature of the National Assembly of the People's Government (parliament) which is discussing the aforementioned law. He came out against exclusions of possible investors, including Cuban emigrees residing abroad.

The debate centered on that point for over one hour, after which Deputies Agustin Lage and Fernando Vecino asked that the law expressly prohibit Cubans living in other countries from participating in such projects.

A great number of legislators — including Alfredo Guevara, Miguel Barnet, Orfilio Pelaez, Lazaro Barredo, Roberto Robaina, Eusebio Leal, Luis Estruch, and Vicente Jimenez — disagreed with the proposal, after which the Cuban president stated his opinion.

Fidel Castro voiced his satisfaction with the brisk exchange of opinion and the democratic nature of the same. He explained that the enemies of the revolution will never be interested in participating in that process, but rather seek to hinder it, as is proposed by the Helms-Burton bill currently being discussed in the U.S. Congress.

If we were to establish discriminations, we would be contributing with that intention. It would be impolitic and would conflict with the consistent strategy we have worked out with the topic of emigration," he stated.

He recalled that the immense majority of residents who traveled abroad did so for economic reasons. He reminded them that a government commission and the Executive Committee of the Council of Ministers, according to the law, will approve the proposals presented on a one-by-one basis.

Referring to Cubans who live in this country and their possibilities of investment, he explained that, regardless of the social benefits guaranteed by the revolution, day by day they are acquiring property, as is the case of 100,000 peasant members of cooperatives, who buy tractors and other working or personal implements.

Over 1 billion pesos have been given to the basic cooperative production units, there are 200,000 workers who work on their own. Also, there has not been a single case of any Cuban residing here who has proposed contributing foreign exchange, technology, and markets, which is what is asked of foreign investors, he noted.

Fidel Castro underscored that if any proposal of that sort is made in the future, it would have to be studied, without any discrimination.

Those who live in Cuba are not prohibited from doing anything and what is being considered in this law is only that which benefits the country, he concluded.

Castro States Investments Will Be Verified, Guaranteed

PA0509044695 Havana PRENSA LATINA in Spanish 0018 GMT 5 Sep 95

[FBIS Translated Text] Havana, 4 Sep (PL) — The process of approval of investments in Cuba will be agile, but not exempt of verification and consultations, which will provide the necessary guarantees as to the seriousness and advisability of the businesses, President Fidel Castro stated here today.

In the parliamentary debate of the draft law on foreign investment, particularly its VIII chapter — negotiation and authorization of investment proposals — the president referred to the experience accumulated by Cuba over the past three years.

No legal obstacle has hindered the creation of mixed companies with foreign capital, the chief of state said, noting that in that lapse 212 associations of that type had been approved.

Nonetheless, he stressed that among those interested in investing are adventurers, companies without any real capital, some who committed fraud or illegal commercial practices.

We have received investment offers even from the U.S. Central Intelligence agency (CIA), Fidel Castro said, while attributing the objective of those purposes to provoking losses of time and effort to the authorities of the island.

To the concern of some deputies on the 60-day term established for the Executive Committee of the Council of Ministers to pronounce itself on investment, Ernesto Melendez, Foreign Investment and Economic Cooperation minister, explained that that lapse will begin as of the time the respective proposal is submitted to the government for consideration.

To present an investment proposal, the Cuban president confirmed, all consultations and verifications will be made, even through international consultation firms, which will attest to the seriousness of the foreign partner.

The presence of foreign capital in Cuba is not big, Castro recognized, noting that in many cases it involves micro and small enterprises.

In the sector of tourism, he exemplified, for each dollar invested by a foreign partner, the Cuban Government has contributed three, which demonstrates that the principal effort falls on the country.

Fidel Castro said that even with a greater influx of foreign capital, the interest lies in preserving principally the property of the nation.

The law under discussion seeks to facilitate work and to provide security to foreign investors, he stated.

The parliamentary sessions were adjourned until tomorrow, amid the discussion of Chapter XI regarding the Labor Code, which is considered to be the most complex of legislation.

Castro Addresses ANPP on Use of Natural Resources

FL0409224395 Havana Radio Reloj Network in Spanish 1932 GMT 4 Sep 95

[FBIS Translated Text] Commander in Chief Fidel Castro, during the National Assembly of the People's Government [ANPP] session in Havana City, stated that man must use Nature's resources, and that in the future, Science will need to find solutions because future generations will suffer a lack of petroleum. At the ANPP, Castro's address involved the concepts of sustained, rational use of natural resources, an issue addressed in the proposed foreign investment law currently under analysis. Fidel stated that it is necessary to further define the term, sustained use, and pointed out that the document should define issues such as protection of the environment and of our resources.

Rosa Elena Simeon, Science, Technology, and Environment minister, stated that the term, sustained, refers to renewable resources, but at environmental summits, it is used to refer to both types.

Weekly Stresses Lost U.S. Investment

PA0409160395 Havana PRENSA LATINA in Spanish 1920 GMT 3 Sep 95

[FBIS Translated Text] Havana, 3 Sep (PL) — Committed to the search for solutions to their country's economic problems, Cuban deputies will attempt, starting tomorrow, to flexibilize foreign investments in the island with a law considered by U.S. entrepreneurs to be a phantom law.

An extensive article published Sunday [3 September] in the JUVENTUD REBELDE weekly, indicates that maintaining and possibly worsening the U.S. economic blockade against Cuba, imposed more than three decades ago, currently constitutes an obstacle to the interest shown by hundreds of businessmen in that country.

According to the State Department, U.S. firms could initially enjoy a commercial opportunity of up to $2 billion and invest in multiple sectors of the Cuban economy, while specialists consider that the bilateral swap would reach the $5 billion mark during the first three years.

Nevertheless, the siege's persistence and recent attempts to increase it — first with the known 1992 Torricelli amendment and now with the Helms-Burton draft bill circulating in Congress — forces the U.S. private sector to face the Cuban opening with tied hands.

According to JUVENTUD REBELDE, despite the sanctions approved by Washington in 1963, several U.S. affiliates in third countries maintained indirect negotiations worth more than $2.633 billion with Havana and in 1990 tripled license requests to sell products to Cuba.

Despite the Torricelli law, interest in the largest island in the Antilles did not diminish and in 1994 executives from more than 200 companies visited this country with the idea of becoming familiar with the reality and create conditions to install themselves in the event the blockade were lifted. Some even signed letters of intent with the authorities.

Only during the first quarter of 1995, the number of entrepreneurs from the neighboring country who arrived in Havana by different means, doubled compared to the same period the preceding year, JUVEN-

TUD REBELDE states when quoting commentaries by NEWSWEEK magazine and by John Kavulich, president of the Cuba—U.S. Commercial Council.

The U.S. publication states that pharmaceutical consortiums "are anxious to take advantage of the well-trained Cuban scientists to increase their investigations and domestic development, in addition to being able to use the country as a bridge to Latin American markets."

In turn, Kavulich, who heads a corporation that supplies information about the island to the U.S. business community, said that representatives from very important firms such as the Raddison, Hyatt, and Marriot hotel chains and CNN, ABC, CBS, and NBC television networks, among others, have traveled to this capital.

A similar curiosity about the Caribbean nation is shown by well-known enterprises grouped in the so-called Business With Cuba Council [Consejo de Negocios con Cuba], which include Pepsi-Cola, Coca-Cola, Chrysler, Dow Chemical, Texaco, Merck and Company, biotechnology firms, and MCI and Sprint telecommunications companies, the weekly publication adds.

Other sectors of interest to the U.S. "businessmen" are food exports: rice, grain, cooking oil, powdered milk, poultry and pork meat. Also tourism, not only in hotel building and management, but in the supply of elements necessary for production, such as automobiles, machinery, and gastronomical and recreation equipment.

Likewise, they consider the possibility of supplying funds to encourage businesses in Cuba and infrastructure in such industries as energy, biotechnology, and pharmaceuticals.

Cuba and the United States maintained before 1959 trade that surpassed $1 billion annually (69 percent of the island's total foreign trade).

When taking as a basis eight traditional items that Cuba used to acquire from its counterpart in that trade, specialists estimate that in 25 years U.S. enterprises lost about $11.5 billion, although others consider that the amount could be as high as $30 billion, according to the newspaper.

The fact remains that both in public and in private, in meetings of experts, in rooms in Congress, and in circles close to President William Clinton, U.S. entrepreneurs express their unconformity with the blockade to Cuba and exert pressure to invest in an emerging and attractive market.

More than 200 foreign firms — independent or with Cuban capital — have opened offices in Havana, and every day more request to establish themselves in the island, a reality that places U.S. businessmen at greater competitive disadvantage.

All this information, more definite than reality itself, and the success story of U.S. trade with Cuba, has become a phantom for many businessmen who see the possibility of investing money in the island fly away with time and the unusual blockade, JUVENTUD REBELDE states.

Doubtless, the analysis and possible approval of the new Cuban investment law will cause an involuntary temptation for those who see their interests held in a vice-like grip by the U.S. Government's inflexible position.

Developments in Foreign Investment Bill Deliberations

Foreign Investment Bill Report Approved

PA0409003995 Havana PRENSA LATINA in Spanish 2156 GMT 3 Sep 95

[By Javier Rodriguez]

[FBIS Translated Text] Havana, 3 Sep (PL) — Following a prolonged and intense debate with the participation of deputies, ministers, and other invited guests, permanent Cuban National Assembly commissions approved a report on the foreign investment bill today.

The deputies attending a joint meeting of the economic affairs and constitutional and legal affairs commissions reached a consensus on the document, which will be submitted tomorrow during the first day of the fifth period of sessions of the National Assembly of the People's Government's fourth legislature.

The joint agreement notes that the bill that was discussed regulates and opens up wider channels for an economic opening "that is not inspired on neoliberalism and whose objective is not a transition toward capitalism."

Present in the discussions were National Assembly President Ricardo Alarcon as well as Ernesto Melendez, foreign investment and economic cooperation minister; Economy and Planning Minister Jose Luis Rodriguez; and Salvador Valdes, labor and social security minister.

Other participants were Jose R. Miyar, secretary of the Council of State; Communications Secretary Silvano Colas; and Justice Minister Carlos Amat.

The report states that the movement of international capital, especially the flows of direct foreign investments, are of such a magnitude and importance that it is impossible to conceive a development process without such investments and without taking advantage of its positive aspects.

The deputies noted that the 1992 constitutional reform created a foundation of a higher hierarchy for greater foreign investment incentives within the framework of the country's objectives for a socialist construction, all recognized in the creation of mixed enterprises, corporations, and economic associations.

In the debate, the deputies reviewed the current status of these types of enterprises in the island and considered them successful, bearing in mind that Cuba is the only nation in the world that has been blockaded for 35 years and must face the threats and obstacles imposed by the United States.

Likewise, always in keeping with the criteria expressed by the congressmen, foreign capital is not considered an enemy or an unselfish benefactor in the bill.

It is a partner with which the association must yield earnings for both, as long as the rules are clear, national interests are protected, and no room for corruption is made available, they added.

The law being debated, the report said, offers investors guarantees that normally they receive in other states, such as nonexpropriation —except for reasons of national interest and through indemnification— compensation after the expiration of the period for association and free transfer of profits and capital.

It was stressed at the meeting that other incentives to be added to those guarantees are the qualified Cuban working force, the political, social, and economic stability, citizen's security, and the absence of administrative corruption.

The deputies and government officials who were invited broadly discussed all the articles in the bill, which among other things, determines the possibility of capital investment in mixed enterprises, economic associations, and even enterprises totally financed with foreign capital.

The only sectors excluded from those activities are the ones on national security and those related to health and education services to the population, responsibilities that the Cuban State totally assumes.

One of the points that the legislators studied more carefully was once concerning the labor regulations that will apply to foreign investments. Various legislators expressed their opinions in that regard.

The approval of the articles on this subject emphasized the need to comply with the current labor and social security laws in Cuba, the granting of specific facilities, without affecting the rights that the social system implemented after 1959 established for local workers.

The bill includes aspects concerning the tax system and possibilities of establishing businesses in real estate, free zones, and industrial parks, among others.

In addition to this law, during this period of sessions the Assembly will also discuss the situation of aquaculture and will debate various decrees issued by the executive branch.

Alarcon Opens National Assembly Session

FL0409144495 Havana Radio Rebelde Network in Spanish 1358 GMT 4 Sep 95

[Statements by Ricardo Alarcon, president of the National Assembly of the People's Government, ANPP, in Havana's Convention Center — live]

[FBIS Translated Text] [Alarcon] The agenda for this session has been distributed to all the deputies and I would like to take a vote on it. I would like to know if there are any opinions on the agenda.

If that is not the case, I propose we vote on it.

Those who agree with the proposed agenda, please raise your hand.

Anyone against?

Any abstentions?

This not being the case, I declare the agenda approved. I will like to tell you that also at some point during this session we will discuss certain motions by members of the standing commissions as well as the creation of new parliamentary friendship groups.

Having approved the agenda, we will go on to the debate, but first, on behalf of all the deputies, I would like to greet the parliamentary delegation from Turkey which honors us with their presence in this hall. The delegation is headed by the vice president of Turkey's Grand National Assembly Mr. (Kamel James). [applause]

Now, the first point of the agenda: We will debate the bill on the Foreign Investment Law. I ask Comrade Ernesto Melendez Bachs, Foreign Investment and Economic cooperation minister, to address the assembly.

CTC Meets on Foreign Investment Bill

FL0409154295 Havana Radio Rebelde Network in Spanish 0900 GMT 4 Sep 95

[Report by Cuban Workers Federation correspondent Orestes Eucelles; from the "Doing Radio" program]

[FBIS Translated Text] [Eucelles] The top leadership of the Cuban workers movement has met to analyze the bill on foreign investment which will be debated by the National Assembly of the People's Government [ANPP]. Ernesto Melendez, foreign investment and economic cooperation minister, explained to the participants the main goals of the bill. The meeting included the secretaries general of all national unions and the Cuban Workers Federation [CTC] from every province. ANPP President Ricardo Alarcon, and CTC Secretary General Pedro Ross, both members of the Politburo, coincided on the importance of the bill for the economic development of the country.

During the meeting, Francisco Duran, member of the CTC Secretariat, reported that to date, 57 municipal CTC meetings have taken place nationwide in preparation for the 17th CTC Congress. Duran added that another 77 meetings are scheduled for September and 32 for October.

Foreign Investment Law Previewed

PA0409192895 Havana PRENSA LATINA in Spanish 1049 GMT 4 Sep 95

[Report by Elsy Fors: "Foreign Investment Recognized as Necessary for Development"]

[FBIS Translated Text] Havana, 4 Sep (PL) — After being drawn up during the past 18 months, the final draft of the foreign investment law will be discussed by the Cuban Parliament in a plenary session today, amid intense domestic debate and expectation among businessmen interested in negotiating with Cuba.

A report of the Parliament's Economic Affairs Standing Commission, to which PRENSA LATINA obtained access, recognizes that the world situation is characterized by a competitive economy in which there are no preferential prices, socialist camp, or stable long-term supplies.

"It is impossible to conceive a development process without contact with investments and without trying to utilize their positive aspects," the document presented to the plenary session by the commission states.

The text defines foreign investment as a necessary and valuable complement to domestic effort. With the approval of this law, which does not establish an "unlimited opening," foreign capital will have a "clear, precise, and transparent" legal framework.

The deputies of the Economic Affairs Commission recommend the approval of the investment law, stressing that the international movement of capital has represented $200 billion in recent years, $15 billion of which have been directed toward Latin America.

In the argumentation, the report states that the association with foreign capital has had encouraging results for Cuba, bearing in mind that the investments in this country are taking place in the only state that has been blockaded for 35 years.

It characterizes the investor as "neither enemy nor disinterested benefactor" and clarifies that although foreign capital has obtained profits, it has also contributed to increasing exports, boosting foreign exchange revenue, and placing into operation and modernizing installations that had been inactive.

The legislation that preceded this bill was Decree Law 50, which was promulgated in 1982 but which had been rarely applied up to the beginning of the present decade, when only a few partnerships with foreign capital had been established.

At present, there are 212 partnerships and joint firms with capital from more than 50 countries and an accumulated sum of somewhat higher than $2 billion, the report, which considered the figure appreciable but still insufficient, states.

The bill provides the investor with guarantees he would normally receive in other countries, such as no expropriation, except for reasons of national interest and through indemnification.

The critical point of the law is Chapter XI, which refers to the labor system in the foreign investment activity.

The articles remit the foreign partner to the labor and social security legislation in force in Cuba and establish that the economic associations with totally foreign capital or joint capital are obliged to contract personnel through a Cuban employment agency.

The draft law to be discussed by the deputies today states that only as an exception would a joint enterprise be authorized to directly contract its personnel and always in keeping with the legal provisions in force in this area.

Nevertheless, the Economic Affairs Commission recommended stating in the law that the members of the higher management and administration bodies of the joint and totally foreign capital enterprises could be appointed by the general board of shareholders or the management of the enterprise in question.

As for incentives in money or products to the workers of the sector linked to foreign investment, the bill stipulates that those incentives will come from the profits obtained by the joint enterprise, and their amount will be agreed upon by the Foreign Investment and Economic Cooperation Ministry.

In the case of the offices of foreign enterprises represented here, which already number more than 600, these incentives will not be regulated, but neither will they be guaranteed by the Cuban Government.

Economy and Planning Minister Jose Luis Rodriguez has said that approximately 117,000 local workers, in addition to the tourism workers, are given incentives through payment in foreign exchange or products. As examples, he mentioned the nickel, cabotage, and thermoelectric service workers.

To this must be added the 200,000 workers of the sugar agroindustry as part of the plans for the recovery of the country's primary economic activity.

A dozen ministers and other senior officials participated in last week's meetings of the standing commissions. They answered the deputies' questions on the points in the agenda that they will analyze beginning today at the parliament. These refer to defense, health, international relations, services, and attention to productive activity.

Deputies on Investment Bill Debate

PA0409194995 Havana Radio Rebelde Network
in Spanish 1700 GMT 4 Sep 95

[Report by anchorman Cesar Arredondo and journalist Diosdado Maso in Havana; from the "National Radio News" — passages within quotation marks are recorded]

[FBIS Translated Text] [Arredondo] Deputies at the Palace of Conventions have commented on the debates being held today by the National Assembly of the People's Government regarding an investment bill.

[Maso] The debate on the bill's text, subparagraph 1, which states, quote, a natural person or legal entity settled abroad, unquote, and which includes Cubans in exile — so they may or may not invest in our country — monopolized the deputies' discussions on whether or not it was appropriate, and how this will be interpreted by our people, particularly by the younger people. I used a break to talk with some deputies.

[Unidentified deputy] "It is interesting. I think there is expectation among the people. In fact, the great expectation is evident here at the National Assembly of the People's Government. This is a very important moment for the country, a moment to increase the steps being taken for investments. In the end, the people can rest assured that everything approved in this law, all its chapters and articles, will defend, as always, our sovereignty and the people's most sacred interests."

[Maso] "Here is a young deputy. What is your opinion of the debates that are currently under way concerning the investment law?

[Unidentified deputy] "I believe it is a very controversial debate because I believe Point 11, where we have stopped, is very controversial, if we bear in mind some deputies do not want to establish a limit or exclude Cubans who live abroad and may invest in Cuba. I also believe this is based on an ethical principle. I believe we would also exclude Cubans who live in the country. I believe that is why I do not endorse the approval of this. Cubans who live abroad should not be included."

[Maso] "Another young deputy, Carmen Rosa Baez, who said in the debates that new generations may not have a favorable opinion of allowing Cubans from outside — if the term can be used — to invest while Cubans here cannot. What is your opinion about this issue?

[Baez] "Maso, the new generations are the keepers of what our parents and the previous generation had, even if you are the ones who forged ahead, or the ones whose ideas were developed. However, I believe Susana Lee summed up my opinion. Sentimentally speaking, I believe it is very difficult, it is a matter of principle, it is something we feel among the people on the streets. However, we are creating a law that is necessary for the country, that involves confidence from us, that states a purification [depuracion] will be possible, and it will be understood. Therefore, I tell you: In my opinion, Susana Lee summed up my feelings. In principle, I support Agustin; I am fully identified, sentimentally speaking, but there are many terms, many technical things involved.

"I believe we could agree with what is stated in the law, without exclusions. Our law should have no exclusions, in principle. I believe that what has been stated concerning foreign investors is right."

[Maso] The debates imply a sentimental burden, which is characteristic of Cubans, but they also imply a considerable economic acumen as corresponds to deputies of a developing nation that must join an increasingly cometitive world.

ANPP Discussion of Draft Begins

PA0409191395 Havana Radio Rebelde Network
in Spanish 1700 GMT 4 Sep 95

[From the "National Radio News" newscast]

[FBIS Translated Text] The foreign investment law was the first topic on the agenda today when the 5th period of sessions of the 4th Legislature of the National Assembly of the People's Government [ANPP] began. Journalist Mariela Diaz has details on the debates:

[Diaz] Ernesto Melendez, minister of foreign investment and economic cooperation, presented the draft bill on foreign investment to the plenary session. The draft bill has five introductory paragraphs, 17 chapters, 59 articles, one special provision, three temporary provisions, and two concluding paragraphs.

[Begin Melendez recording] Foreign investments will continue to be approved on a case-by-case basis. These approvals will be made by the Council of Minister or a commission appointed by the council, based on the government principle that the proposed investments that are authorized must entail economic and social benefits for the country.

The guarantees that are offered are the same that are usually offered in other countries, such as non-expropriation unless it is in the national interest and with due compensation; full protection of investment; an option to sell its part at any time; compensation at the end of the term of association; protection against claims that are made according to the law; and free transfer abroad of profits and capital.

It also clearly stipulates the possibilities of making investments in all sectors, excluding the Armed Forces, except for [as heard] its business system, and the health and education services for the people. [end recording]

[Diaz] The draft bill also specifies that a businessman no longer needs to seek an association with anyone in order to establish business in Cuba. Likewise, it accepts investments in real estate and allows the establishment of the so-called industrial park areas that facilitate the flow of capital abroad.

In order to solve the delays of authorizing foreign investments, the draft bill suggests two terms, one of 60 days to answer the proposal of the investor, and another one of 30 days to complete the registration process. The foreign investment draft bill also provides the means for protecting natural resources and the environment.

During today's meeting of the ANPP, the deputies are discussing the provisions of the foreign investment law, chapter by chapter. Undoubtedly, this law will be a superior step in the matter of economic opening in Cuba.

Bill 'To Defend and Develop Socialism'

PA0509032795 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 5 Sep 95

[From the "NTV Newscast"]

[FBIS Translated Text] We have a report from the Havana Convention Center where the National Assembly of the People's Government initiated its activities today to discuss the foreign investment bill.

The bill contains the legal framework for making foreign investments in the island. It was noted in the session that the purpose of the bill is to defend and develop socialism and promote an opening, but not inspired in neoliberal ideas or capitalism.

This bill is aimed at strengthening the country's economic capabilities and obtaining financial resources and new markets based on respect for the nation's sovereignty and independence.

On this first day, deputies actively debated Chapter Two, which defines investors and does not exclude the participation of Cubans residing abroad.

[Begin recording][Deputy Agustin Lage] My proposal is that Cuban citizens residing abroad be excluded from the definition of foreign investor, which means they would not be able to invest.

[Deputy Alfredo Guevara] In the law and in the presentation that was made of the law, it was made very clear that the necessary mechanisms or filters will exist to accept or reject an investment. It would be up to the leaders of the Revolutionary Government, the Council of State, the Council of Ministers, and the commission mentioned here, as well as the Investment Ministry to decide who will be able to invest and who will not be able to do it. Not just because you are a Cuban [pauses] I would never accept — and I would be bothered by this, I would be very bothered if I had to be the first to abstain if this would have a majority support — the exclusion of Cubans just because they are Cubans. I exclude those Cubans who are reactionaries, those who are enemies of the revolution, those who are terrorists, and those who betray their fatherland, but I would never exclude them just for being a Cuban. I believe we should trust the text of the document, which has been very intelligently drafted.

[Cuban President Fidel Castro] In practice, if this law is passed the way it is, nothing would happen. As Lage said, investing is prohibited. I know Americans and I know Cubans who are constantly thinking about what they could invent to see if there are any possibilities of investing. There are not many of them, but there are a few. They cannot invest. It is prohibited for them to invest. [end recording]

As for future investment possibilities available to Cubans living in the island, the commander in chief said:

[Begin Castro recording] The need may emerge in the future. It would then be up to us to pass laws to determine if a Cuban should be participating in a mixed enterprise or not. I doubt very much a problem like this could emerge in the future but a Cuban from here with well-earned money — not a profiteer, not a profiteer — or who received an inheritance or whatever may want to make an investment here. I do not rule out this possibility for the future. [end recording]

Radio Havana Comments on Panama Canal Transfer

PA0509040695 Havana Radio Havana Cuba in Spanish 0000 GMT 3 Sep 95

[Commentary read by Ignacio Canell, from the "Evening Information Review" newscast]

[FBIS Translated Text] In the final stretch of its presence in the strategic crossroad between the Atlantic and Pacific Oceans, there is growing concern as to whether the United States will comply with the Panama Canal treaties signed by General Omar Torrijos and U.S. President James Carter. The most reactionary circles of the United States are not comfortable with the idea of withdrawing control and administration of the inter-oceanic waterway, and they are therefore actively manipulating to see what is the minimum they will lose from the most strategic position of the hemisphere.

Panamanian President Ernesto Perez Balladares and U.S. President William Clinton will meet on 7 September in Washington. The work agenda includes several topics, but it is no secret that the issues of the transfer of the canal administration over to Panama and whether the U.S. bases remain in the area will have preference in these talks. The so-called canal treaties signed in 1977 establish that the United States will leave the canal area on 31 December 1999 and must deliver to Panama all of the installations it has had under its jurisdiction since 1904 when the Hay-Buneau Varilla went into effect after being imposed on Panama under military pressure. As of that date, the United States has been the lord and master of the inter-oceanic waterway, even after the signature of the Torrijos-Carter treaties when a commission to administrate the canal was created by virtue of these agreements. The commission is made up of the two countries, and it scarcely grants Panama some sort of an administrative role in the canal area, mainly in preparation for the foreseen administrative transfer.

In 1990 Panamanian Gilberto Guardia was confirmed as Panama Canal Administrator, by agreement of the U.S. Senate, thus becoming the first Panamanian to hold that post. The rest of the Zone area continues to be occupied by U.S. troops and its bases and other military installations continue intact, permitting the United States to assume immediate control of the Canal. During the invasion of Panama by U.S. troops in 1989, the canal was closed to ships with the ensuing disruption and economic losses for many countries and companies.

With the advent of the upcoming 7 September meeting in Washington, efforts and maneuvers have been intensified to try to prevent the treaties from being fulfilled as they are written. Several Republican senators, ranking Pentagon officials, and managers of Panamanian companies have suggested to President Clinton that he ask President Ernesto Perez Balladares for authorization so that the U.S. military bases will not be removed, in order to combat drug trafficking and preserve democracy in Latin America — two big pretexts that imperialism has made use of to justify its transgressions in the continent.

The group of Republican senators could not include, of course, Senator Jesse Helms, current paladin of the U.S. ultraright. Helms is the principal standard bearer of the argument on narcotrafficking and democracy. It is obvious, however, that the U.S. military presence throughout almost 100 years has not made important progress in the struggle against narcotrafficking. What it has done is to sponsor the worse kind of dictatorships in the continent, facilitating for them technical training and police counseling.

President Clinton has not said clearly what his position will be in these talks with the Panamanian president. This leaves some room for hope that he will not adopt decisions that will preclude the strict fulfillment of the Torrijos-Carter treaties.

Ambassador to Russian Federation Appointed

FL0109192995 Havana Cuba Vision Network in Spanish 1630 GMT 1 Sep 95

[From the "NTV" newscast]

[FBIS Translated Text] The Council of State has appointed Carlos Palmarola Cordero as Cuba's extraordinary and plenipotentiary ambassador to the Russian Federation. At the time of his appointment, Palmarola Cordero was the general manager of the TRD Caribe stores chain.

Libyan Ambassador Says Relations 'Very Positive'

PA0109190295 Havana PRENSA LATINA in Spanish 1219 GMT 1 Sep 95

[FBIS Translated Text] Havana, 1 Sep (PL) — The relations between Cuba and Libya can be described as very positive and examples of this are the efforts made by the two states to increase their trade exchanges, the ambassador of that African nation said here.

In brief statements for newspaper GRANMA, Ahmad'Ali Jarrud, secretary (ambassador) of the People's Office of the great Socialist People's Libyan Arab Jamahiriya, underscored the struggle waged against the U.S. blockade, which is an economic measure that affects both nations.

As for his country's situation, Ahmad'Ali Jarrud said that the great Jamahiriya continues to be the target of arbitrary economic sanctions by the UN Security Council.

He pointed out that the U.S. blockade has caused heavy losses in the past years of more than $10 billion, and thus, also a deterioration of the standard of living and sensitive sectors such as health.

Reportage on Cuban Exile Proposed Flotilla Provocation

Miami-Based Cuban Reactions Reported

PA0209182995 Havana Radio Rebelde Network in Spanish 1700 GMT 1 Sep 95

[Report by Zenaida Costales; from the "National Radio News" newscast]

[FBIS Translated Text] In statements to Radio Rebelde, leaders of Cuban organizations based in Miami have condemned rightist elements who have staged the most recent acts of provocation against the Cuban people by violating its maritime and airspace and termed their actions terrorism.

It is no secret: the history of attacks, threats, public disorders, and even murders is more than three decades old. It has been played by the same players, whose objectives are to promote war among Cubans and to exterminate those who speak up in favor of Cuba. The following information corroborates the above statements.

U.S. Federal Congresswoman Ileana Ross has delivered a recognition certificate to Alfa 66, one of the paramilitary groups carrying out acts of terrorism in Cuba from Miami. They threatened to take the life of Congressman Jose Serrano because he has opposed the blockade. They hurled bombs against the office of the magazine REPLICA. Why? Because the magazine's editor favors the improvement of relations between Cuba and the United States.

The FBI broke into the Association of Cuban Workers in Miami to prevent a group of men from setting ablaze nearly 15 tons of humanitarian aid, which was to be sent to the island through the U.S.-Cuba Friendship Caravan. The perpetrators of this attack, first arrested, are now free on parole with high hopes of being acquitted in an upcoming trial.

In spite of the position of the Cuban Government and warnings from Washington, rightist elements of Cuban origin staged one of the most recent acts of provocation against the people of Cuba by last 13 July violating its maritime and airspace.

All of this does not seem to be enough. Once more, the same gangsterism, as one colleague recently called it, is preparing to stage a new attack. In this regard, Walfrido Moreno, secretary general of the Association of Cuban Workers in Miami, told Radio Rebelde:

[Begin Moreno recording] Of course, they are all members of the same gang. They are all against the normalization of ties between Cuba and the United States. These people are terrorists because the counterrevolution is also a business. [Words indistinct] they are opposed to helping the people of Cuba, the Cuban family. [end recording]

These incidents represent a flagrant violation of international law because in the world, no one is authorized to enter jurisdictional waters outside of his territory. Cuba is therefore entitled, as the 13 July communique stated, to adopt whatever actions are necessary to prevent those actions in violation of Cuban law from being repeated.

Andres Gomez Censures Flotilla

PA0209190395 Havana Radio Rebelde Network in Spanish 1700 GMT 2 Sep 95

[Telephone interview with Andres Gomez, national coordinator of the Antonio Maceo Brigade, in Miami, by Zenaida Costales; from the "National Radio News" — recorded]

[FBIS Translated Text] [Costales] Andres, many reports have been published in which members of the flotilla claim they represent the entire Cuban community residing in Miami. What is your opinion?

[Gomez] We are talking of 700,000 people. Those 700,000 are Cubans, their children and some elderly people. In this city, there are at least 20,000 or 30,000 Cubans who own a boat. If there are at least 20,000 to 30,000 boats owned by the Cuban community, and only 25 boats made up the flotilla, it goes to show that they do not have the support of Cubans residing in Miami.

According to surveys conducted by radio and television, this movement has no real importance; it will change nothing, although it could cause problems. I believe the flotilla's main objective is provoking a confontration between the U.S. Government and Cuba at a time when both governments are trying to settle their differences and normalize relations.

Flotilla's Failure Reported

PA0309024195 Havana Radio Havana Cuba in Spanish 0000 GMT 3 Sep 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Just a few hours after leaving the Florida coasts, the action organized by ultra-rightist Cuban emigres flopped. The action, intended to rile Cuba once again, was an to attempt to get to the island's coast with a flotilla of ships. It was announced several weeks ago, was given wide publicity coverage in Florida, and was even sponsored by the U.S. ultra-rightist sector. The promotion convoy was abruptly cancelled amid the chaos caused by the shipwreck of one of its ships. International and Miami media sources reported that the Sundown II shrimp boat, which was 72 feet long, capsized approximately 35 km from the Florida coast. The U.S. Coast Guard managed to rescue 47 people who were in this boat. One of them, Lazaro Gutierrez, died of a heart attack at a Key West hospital. Despite the action's full-blown failure, almost at the beginning of the well-financed and well-orchestrated expedition, its organizers have announced that they will prepare a third attempt to be held next year. This harassment attempt was preceded by another action on 3 June. On that date, ships coming from Florida entered Cuban jurisdictional waters and a light plane, coming from the same place, overflew an area of Havana. However, Cuban Coast Guard units forced them to return. Because of this incident, the Cuban Government has reiterated that it will not tolerate the violation of its national borders.

Indifference to Convoy's Cancellation

PA0309021195 Mexico City NOTIMEX in Spanish 0005 GMT 3 Sep 95

[FBIS Translated Text] Havana, 2 Sep (NOTIMEX) — Cuban official sources reacted with indifference today to the decision to cancel the trip of a flotilla of Cuban exiled groups who were attempting to reach to Cuba's coasts to protest the Fidel Castro government.

This Saturday [2 September], a source close to the Foreign Ministry told NOTIMEX: "What are we going to comment on if they did not even reach our shores? Now they will have to explain their failure to those who financed such an expedition."

"Cuba's position was clear and unwavering," the source added, recalling the stipulations of a 14 July declaration where Cuba announced that it was prepared to sink any ship, or down any aircraft that violated its sovereignty.

A group of 25 ships sailed this morning from Florida with the intention of protesting off the Cuban coasts against the government of Fidel Castro. However they decided to return when one of the ships, the Sun Down II, sank south of Key West.

After the news of the sinking and the death of a man identified as Lazaro Rodriguez was made public, Ramon Sanchez, organizer of the flotilla, ordered all the ships to return to Key West, 220 Km southeast of Miami.

Local Florida media abstained from commenting on the convoy, but the Cuban news agency PRENSA LATINA described the attempt by the Cuban exiled who were planning to protest the "lack of liberty" in the island as "a complete failure."

According to PRENSA LATINA, "the alleged propaganda incursion did not even occupy a minimum of attention" of the population who chose to placidly travel to Havana's beaches.

During an inspection along Havana's coast everything appeared normal, although during the early morning hours several police cars were stationed along the highway that runs from the Tunnel all the way to the Panamerican Village in the east.

The government of U.S. President William Clinton attempted to dissuade the Cuban Government opposition groups from going through with their trip in order to avoid any "unnecessary risks" and urged moderation from Havana in the manner in which react against those who decided to cross the country's jurisdictional waters.

Alina Fernandez, daughter of the Cuban president was one of the members of the group of exiled who had planned to come within 13 miles of Cuba's coast. Fernandez stated afterwards that she felt disappointed because "they were unable to carry a message of hope to the people" of the island.

Sanchez, leader of the opposition group Democracy, announced during a news conference that they intend to organize another convoy during Castro's next visit to the United Nations, although he recognized that it would be difficult to send another expedition during the coming months due to the coming winter season.

The previous incursion took place on 13 July and was aimed at commemorating the sinking of the "13 March" tugboat, an incident that left 41 people dead, including 20 children, when it was kidnapped one year ago by 72 persons who were attempting to emigrate to the United States.

Failed 'Propaganda Show'

PA0409012395 Havana Radio Havana Cuba in Spanish 0000 GMT 4 Sep 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Cuban weekly JUVENTUD REBELDE has described as a "propaganda show" the failed attempt by Cuban ultrarightist emigrants to approach the island's coasts last Saturday with a flotilla of boats.

The convoy, announced several weeks ago with wide publicity in Florida, was abruptly terminated when one of the boats sank and one of its occupants died from a heart attack after being rescued along with 46 other persons by the U.S. Coast Guard.

JUVENTUD REBELDE deplored the loss of a human life and said that it was caused by the negligence of those who are trying to save their great counterrevolutionary business at any rate, without caring about the lives this will cost, as was demonstrated when they promoted the departures from Cuba in flimsy rafts.

This planned provocation followed a previous incident on 3 July, when boats from Florida entered Cuban jurisdictional waters, and a light aircraft of the same origin overflew a sector of Havana, but were forced to return by Cuban Coast Guard boats.

Haiti

AAN Director Interviewed on Privatization of Airport

PA0109131895 Port-au-Prince Signal FM Radio in French 1030 GMT 31 Aug 95

[From "The Waking Up Newscast" — passages within slantlines in Creole]

[FBIS Translated Text] The general director of the National Airport Authority [Autorite Aeroportuaire Nationale, AAN] international airport of Port-au-Prince has announced the presence of a foreign firm within this institution.

Mr. Ernst Laraque, who did not want to explain whether the presence of this foreign firm within the institution he is leading is linked to privatization, has contented himself with saying that a group of foreigners are supervising the activities at the Port-au-Prince airport.

According to Mr. Laraque, the concerned firm has committed itself to allowing the Haitian Government, which is the sole authority, to decide on the fate of the Port-au-Prince international airport.

[Begin recording] [Laraque] /There is no privatization going on for the airport. The government of the Republic has a project called democratization of the state-owned enterprises and one of the phases of this project — and it is the current phase, as regards the airport — one of the phases of this project [repeats] is to make an assessment of the enterprise because the enterprise is a state-owned enterprise.

/The state is duty bound to know how it is going and the government, that represents the state has launched a project to make this assessment. A firm has thus been hired for that and is carrying out a study aimed at assessing the enterprise. As for us in the AAN, this is the level we have reached in the project. Thus, the firm is working and will have to give a report to the government to say well, here is how the enterprise is, whether it is profitable or not, how it is going, whether the management is good or not, and so on.

/Obviously, we hope with this report, we suppose the firm will make recommendations on how to improve whatever is not good and so on. This is the stage at which we are and this is what we know about this project./

[Unidentified journalist] /[words indistinct] ask you: What do you intend to do after this assessment work in the airport?

[Laraque] /I must tell you that we are not the one who requested the work. It is the government that requested it. Well, the government will probably have choices to make from the recommendations. As for us in the general director's office, what we do is the implementation of the choice made by the government of the Republic./ [end recording]

Finance Minister Threatens To Resign, Rejects Privatization

PA0209183095 Port-au-Prince Signal FM Radio in French 1030 GMT 1 Sep 95

[From "The Waking Up Newscast"; passages within slantlines in Creole]

[FBIS Translated Text] There is a disagreement within the Michel government about issues relating to the privatization of state-owned enterprises. That stinks. Economy and Finance Minister Marie-Michele Rey has threatened this time to resign from her post.

Mrs. Rey, who was speaking during a news conference, did not conceal the contradictions existing within the government as to the issue of privatization of state-owned enterprises. In a firm tone, Mrs. Rey exonerated herself from the government's project for which the responsibilities and accusations were leveled straight at her.

Nevertheless, the minister, who threatened to tender her resignation, affirmed that she is in perfect agreement with the head of the executive branch, President Jean-Bertrand Aristide.

Marie-Michele Rey said her resignation will be conditioned by her concern to safeguard her credibility.

[Begin recording] [Rey] /I positively refuse to accept the charge that Mrs. Rey is a bourgeois who joined the government to sell state-owned enterprises to her fellow bourgeois. I positively refuse it. Mrs. Rey is a true woman.

Many people became finance ministers (?after) they were involved in scandals in the bank sector. Some of them are opening banks today and are making pointed remarks about people. I spent 20 years in the banking sector, and I left it with my head held high.

My credibility is at stake. It is my sole asset. It is the sole asset I will leave for my children and grandchildren. I am saying it in public, because I said it in private to the prime minister and the president./

If this brings consequences, I am ready to assume them.

Personally, I will say that until now I do not have any conflict with the president of the republic, whom I saw not later than Wednesday during the meeting of the Business Development Council.

[Unidentified journalist, interrupting] Mrs. Rey....

[Rey, interrupting] /But if you want to know where the shoe pinches.... [pauses] Do you know what my mistake is? Here is my mistake: I did not sign the flour mill [minotrie] deal they wanted me to sign, and I would prefer to resign instead of signing./

[Journalist] Who is that, Madam?

[Rey] I am talking about Mr. Jean-Francois Chamblain, the Haiti flour mill director, who negotiated with people without our knowing, without my knowing, who wanted me to sign this document, and who sent it to me for a signature. If you need to be enlightened, here is the document. Since then, a campaign has been waged against me from every direction.

They do not have the right to tarnish people's (?reputation) in this manner and to let anybody say anything. I deem it unacceptable. If we advocate justice and transparency, we must have the courage of our convictions. As far I am concerned, I have it; I will not accept being debased. Neither will I, my children, my grandchildren, or my husband accept it. [end recording]

That was Haitian Economy and Finance Minister Marie-Michele Rey, who was defending her administration against charges on the privatization issue.

TNH Inaugurates Programs on Privatization

PA0209184695 Port-au-Prince Signal FM Radio in French 1030 GMT 1 Sep 95

[From "The Waking Up Newscast"]

[FBIS Translated Text] We return to the topic of privatization, as it is being discussed a lot these days. A series of broadcasts devoted to privatization of state-owned enterprises have been inaugurated on Television Nationale D'Haiti [TNH]. During the first broadcast, the guests were (Ernst Jean-Pierre) and Paul Maurice Francois. They consider privatization a very bad remedy. These men, who are considered close to the president of the Republic, said it is the work of a governmental team who is taking advantage of the head of state's popularity to reach their own goals.

The guests, who work in programming management at TNH and in the coordination management of the Ministry of Information respectively, base their objections on figures proving that Teleco and Electricity of Haiti would be profitable if they were subject to strict controls.

Other broadcasts are still planned on the same topic.

Unions Take Stand Against Privatization

PA0209190795 Port-au-Prince Signal FM Radio in French 1030 GMT 1 Sep 95

[From "The Waking Up Newscast"; passages within slantlines in Creole]

[FBIS Translated Excerpt] Four union organizations have taken a stand against the privatization issue. During a news conference held yesterday on the premises of the Confederation of Haitian Workers [CTH], the members of those people's organizations asserted that privatization will give rise to more unemployment and more humiliation in the country.

The members of these organizations denied the statements made by Haitian President Minister Smarck Michel, who asserted that the union organizations agreed to the privatization program. On that score, I propose you listen to a report by our colleague Daniel Albert.

[Begin Albert recording] /Privatization equals unemployment; privatization equals humiliation. These are statements by four union organizations during a meeting with the press on the morning of Thursday, 31 August, on the CTH premises in Rue des Miracles.

CTH Secretary General Louis Octave Dorvilier denied Prime Minister Smarck Michel's statement that all union organizations have agreed on the privatization issue. Mr. Dorvilier was wondering what serious union organization Prime Minister Smarck Michel had met with.

So, according to the union leader, the major unions in the country are the CTH, the Federation of Haitian Blue-Collar Workers [KOTA], the Autonomous Organization of Haitian Workers [CATH], and [word indistinct] [passage omitted] [end recording]/

Radio Reports Demonstration Against Privatization

PA0209192795 Port-au-Prince Signal FM Radio in French 1030 GMT 1 Sep 95

[From "The Waking Up Newscast"; passages within slantlines in Creole]

[FBIS Translated Text] Anyway, more things that stink. There was a people's demonstration against privatization yesterday. Several hundred individuals marched past the streets of the capital against the Haitian Government's plan to privatize state-owned enterprises. The demonstrators said no to democratization and no to privatization. Brandishing placards on which slogans hostile to this plan were written, they said they will remain mobilized until the government rethinks this plan, which they deem macabre.

[Begin recording] [Unidentified person] /The objective of this demonstration is to say no to this unlimited and excessive privatization, this awkward privatization [privatizasyon zobop], as the men are hurrying to sell all state-owned enterprises under the government of President Aristide and to say thereafter that the Aristide government sold them because they knew that this matter would entail unemployment.

When enterprises are in the hands of the private sector, its main concern is making profits. What will it do to the employees? It will put them out of work./

[Unidentified journalist] /What do you want?/

[Unidentified person] /We want economic democratization as signed by President Aristide in the plan of [date indistinct] August 1994 in Paris. We are against excessive privatization; we favor a democratization [words indistinct]. They staged a political coup d'etat on 30 September 1991 and failed; now they want to stage an economic coup d'etat. We will not allow this coup d'etat to succeed. We do not agree [words indistinct]/ [end recording]

Zedillo's State of Nation Address

PA0209172295 Mexico City Radio and Television Networks in Spanish 1703 GMT 1 Sep 95

[State of the Nation address by President Ernesto Zedillo at the San Lazaro Legislative Palace in Mexico City — live]

[FBIS Translated Text] Honorable National Congress: In compliance with the terms of Article 69 of the Constitution, I am submitting to this sovereign entity a written report on the general state of the country's public administration.

[Deputy Rosario Guerra] Thank you, Mr. President. We have received the writing he is handing to us on this occasion. [applause]

I thank the ladies and gentlemen of the Congress for the high honor of allowing me to make use of this lofty tribune. I will always consider it a privilege and a great responsibility to address the Congress in its own headquarters. Instead of summarizing the written report that in compliance of Article 69 of the Constitution I have just submitted, I would like to take advantage of this priceless occasion to talk on the three topics that most concern all Mexicans today: the economic situation, justice, and the democratic progress of the country. The economic conditions of the past nine months have been particularly adverse. They were very different from what most Mexicans expected last 1 December. The financial and economic crisis that emerged in late December 1994 has seriously impaired the standard of living of the people and jeopardized a great deal of what we had built for years through the toil of millions of Mexicans. The discouragement that this new financial crisis prompted among citizens was heightened because the effort made to transform our structured had fueled expectations of growth, more stable jobs, and growing income.

Mexicans strove as they waited for a growth that did not come. Today, we can see that the crisis had been brewing for a long time. We cannot attribute the nature and scope of this crisis to a single factor or a specific economic policy decision. Indeed, there were reasons for the crisis to erupt with such great force. One of them was that for many years a strong and growing deficit in the current account in the balance of payments was financed with inflows of volatile capital. Another factor that played a role in the crisis was the financing of long-term projects with short-term instruments. The real appreciation [apreciacion real] of the exchange rate was allowed beyond what was prudent. And in the face of drastic changes in the internal and external conditions, financial policies reacted slowly or in a very risky manner. Such was the dollarization of the foreign debt that entailed the growth of Tesobonos [Treasury Bonds]. It becomes necessary to admit, however, that some of the internal and external circumstances that influenced the crisis that was brewing had never arisen before. For that same reason, the force with which it erupted was unpredictable. There was no precedent, for instance, of the non-banking origin of a large amount of capital flows that came into the country for several years. This capital ultimately exacerbated the volatility of the crisis. There was no precedence either for the acts of violence that brought mourning to the nation in 1994.

With absolute conviction, however, I affirm that the crisis would have never had such an impact, even with many of the adverse factors listed, had domestic savings not been neglected.

While in 1988, Mexicans saved 22 percent of the GDP, that proportion dropped year after year until it reached less than 16 percent in 1994. Despite the fact that during those years we had the greatest availability of foreign financial resources in the country's history, the lack of domestic savings caused productive investment to not have the desired dynamism. The drop in domestic savings under a condition of ever-increasing current account deficit, covered by heavy financial capital income, explain the low economic growth.

Due to the lack of domestic savings and investments and the lack of GDP growth, the Mexican economy became vulnerable to short-term capital movements. This vulnerability was increased by the tragic events of 1994 and the increase of interest rates abroad. When the tight margins ran out — margins that could have allowed us to gradually correct the serious accumulated imbalance — the crisis broke out. Suddenly the country lost additional access to previously available financial resources and in addition, a massive flight of capital ensued.

Mexico suddenly did not have available national income from abundant foreign savings that it had the previous years. In addition, accumulated investments during that period began to leave our economy.

Notwithstanding that an inescapable exchange rate adjustment was made and that interest rates registered a significant hike, the loss of resources continued to be more and more serious. In the first days of 1995, the massive flight of capital placed the country at the edge of financial and productive collapse. At those moments, the fundamental task was to prevent us collapsing into a state of absolute insolvency that would have completely broken the national economy; the crisis had to be faced with expediency and determination. I am convinced that had gradual measures been adopted, or worse still, had we not done anything, millions of jobs would have been immediately lost and a considerable segment of the country's productive apparatus would have been dismantled. Recovery would have taken years; perhaps lustrums. In the face of this threat, I did not hesitate making all the decisions that I considered essential to prevent the worst case scenario from taking place.

The adjustment program had to fulfill basic immediate goals. It was necessary to prevent the risk of total insolvency, creating conditions to stop the massive loss of capital and restore a minimum stability in the foreign currency markets and the financial market. It was equally important to quickly and efficiently correct the critical imbalance accumulated in the balance of payments' current account with the least cost possible to the production and employment sectors.

Likewise, it was essential to prevent inflation, caused by the devaluation, from becoming uncontrollable. To attain those goals the adjustment program included drastic, albeit painful, measures to strengthen public finances. It likewise included the design and negotiation of an external financing strategy to compensate and revert the loss of short-term capital suffered by the country.

In addition, great importance was given to the implementation of special programs to lessen recessionary and inflationary impacts. To achieve the strengthening of public finances, public expenses allocated for the current fiscal year were drastically cut. At the close of the current fiscal year, it will register a 10-percent decrease in real terms compared with the previous year. The public sector's prices and tariffs, and the Value-Added Tax rate, were modified with the same purpose. Without these measures, the devaluation, unemployment, and inflation would have been more critical and would have demanded an even greater sacrifice from all of us.

The large-scale withdrawal of investments was the most severe factor of pressure on the exchange rate and interest rates, and it also represented the greatest risk for the country's production and financial system. To measure its gravity, it is appropriate to know that during the first quarter of this year, the country suffered a loss of resources that was much worse than the impact of the 1982 debt crisis or the 1986 oil crisis.

The problem became even more difficult due to the nature of the foreign capital flow at stake. On this occasion the investors were not banking creditors — they were thousands of foreign account holders who invested in high liquidity financial instruments. That is why it was practically impossible to seek a traditional credit negotiation.

Given the complexity and urgency of the situation, it was crucial to find alternate mechanisms that achieved the same economic effect of a credit renegotiation. Furthermore, it was essential to achieve this within an unprecedented deadline, given its brevity. With this intention, and within the framework of a new relationship allowed by the Free Trade Agreement, a $20-billion credit line was negotiated with the U.S. government.

Likewise, with the support of the multilateral organizations, of which Mexico is a full member state, friendly countries, and trade partners, we signed other financial support agreements to put together a financial package of approximately $50 billion. The negotiations on all the loans comprising this financial package were consistently conducted under the principles of respect for national sovereignty and Mexicans' dignity. We never negotiated anything behind Mexicans' backs. The support we obtained has been implemented under the terms this Congress stipulated, and the funds we obtained have contributed to dispelling the threat of insolvency, stabilizing the financial exchange markets, and supporting a process of adjustment that would take the shortest timeframe possible.

The financial package negotiations were held under unprecedented emergency conditions, and, it achieved in a few months what was previously renegotiated in several years. I must insist that the funds comprising the financial package do not constitute an additional debt for the country. They are credit lines that have allowed us to change short-term and expensive liabilities into long-term and cheaper liabilities.

The total amount of funds included in the financial package used so far have been used to liquidate short-term debts and strengthen Mexico's international reserves. So far, we have used $23.902 billion from the negotiated package. Moreover, the Tesobonos [Treasury Bonds] balance, which amounted to $29.206 billion, and which was a pivotal element triggering the crisis, has decreased to $3.173 billion. That is, the balance of this debt decreased by $26.033 billion.

Other short-term, public and private, and banking and non-banking liabilities owed to foreigners have decreased by more than $8 billion. In addition, the Bank of Mexico's international reserves totalled $15.073 billion as of yesterday, which is an increase of approximately $9 billion, as compared to the balance in late 1994.

The imbalance in the accounts owed to foreigners has been substantially corrected. During the first seven months of the year, thanks mainly to the increase in exports, the trade balance registered a $3.69 billion surplus, which contrasts a great deal with the $10.393

billion deficit registered in the same period in 1994. In addition, the current account of the balance of payments recorded a correction of approximately $13.2 billion during the first half of the year. In turn, the monthly inflation rate, which reached eight percent in April, has, since then, shown a downward trend. In August, it is estimated to be at less than two percent. The exchange rate, which exceeded 7.50 new pesos to the dollar in March 1995, has averaged 6.19 new pesos during the last three months. Although the interbanking interest rate, which reached approximately 110 percent in March, continues to be high, it has been reduced to less than 40 percent.

The initial objectives of the adjustment program have been achieved. The threat of financial collapse that existed during the first months of the year has dissipated. These first results have been possible thanks to the courageous determination Mexicans have to move ahead. The solidarity in the efforts peasants, workers, employees, and businessmen made have made possible the objectives of the adjustment program.

Due to its magnitude and intensity, the crisis has had serious consequences for the population. The country lost foreign revenues amounting to more than seven percent of the national income. The loss caused a drop in the income of businesses and people, and this, in turn, triggered a sharp fall in the levels of purchases and investment. This prompted the recessive impact of the crisis to worsen. During the first semester of this year, the GNP dropped 5.8 percent over the first semester of 1994. Those conditions, taken jointly, have resulted in a decrease of the real value of wages and, especially, a reduction in the level of available jobs. The unemployment rate, which was 3.2 percent in December 1994, climbed to 6.6 percent last June. The Mexican Social Security Institute [IMSS] reported a loss of 824,000 affiliates during the first seven months of the year.

The costs of the crisis have been very high and painful, but they would have been much worse if we would not have adopted the economic adjustment program. Moreover, we would not have had any possibility of recovering right now if we had not taken this step. Since the crisis started, we have implemented actions and programs to attenuate the social costs and alleviate the effects of the economic recession. We have launched viable programs to protect jobs and even to generate jobs in the areas where the consequences of the crisis have been most serious.

We boosted the social programs as soon as the adjustment programs started to yield results. In agreement with state governments, we established a special temporary job program, which had a federal apportion of 1.7 billion new pesos. Additionally, we started a special program to give maintenance to rural roads and invested 300 million new pesos in this endeavor. Both programs are generating more than 710,000 temporary jobs. We significantly increased, by 40 percent, the extent of the training programs for workers, unemployed and inactive people and 700,000 Mexicans will benefit from the program this year. We extended the coverage of the IMSS health services for the affiliates who have lost their jobs from two to six months. Thanks to this measure, 684,000 people and more than 1.5 million of their relatives have been attended at IMSS centers.

In coordination with state governments, we established the family provision and nourishment program aimed at the regions with the highest poverty levels. In the framework of this program, 1.224 million provision packages, which will benefit almost six million people with serious nutritional needs, are distributed every month. Likewise, we increased our school breakfast program by 250,000 in order to be able to distribute 1.5 million breakfasts every day in 1995. We aid 2.8 million low-income families with our tortilla subsidy program and 5.5 million children benefit from our milk program every day.

The supply infrastructure has increased to the point that it includes 21,000 community stores, mostly located in rural areas. The community supply distribution system in the most isolated areas of the country already serves almost 29 million people. The effects of the crisis have compounded the devastation caused by a prolonged drought in some states of the republic. An emergency plan was implemented, with an allocation of 746 million new pesos, to help the most critically affected regions. The varied support included in this program benefitted 3,274 communities and more than 480,000 producers. Other subsidies have also been increased to support the countryside, including those intended to provide electric energy for agricultural use and those which support the price of fertilizers.

The federal government has implemented a strategy to increase farming and livestock activities' productivity and feasibility, based on a renovated legal framework and direct support programs that will provide more than 6.3 billion new pesos this year. This will improve the producers' income. An effort is also being exerted to negotiate the producers' debts. We are also working on a program that will help us change the use of the land for production purposes and provide a higher income for these producers.

In 1996 we will begin an ample process for the investment of manpower, infrastructure, and technology in rural areas. We will strengthen agrarian regularization and exert an unprecedented effort to train and organize producers. The rural financial system will be reorganized to adapt it to the area's production needs. I reassert my pledge to the Mexican countryside. [applause] We will put forward an overall rural development policy that advocates employment, supports production, strengthens marketing, and modernizes the agrarian and livestock infrastructure.

An extraordinary effort has been exerted to extend health services to regions in which extreme poverty prevails. Investments in this essential part of social policy focused on the completion of works in progress, the construction of medical units in highly urgent zones, and the maintenance of existing infrastructure. Special care was taken to maintain adequate operation of medical services and public hospitals, which treated 42 million Mexicans in recent months.

Special care was taken so the difficult economic situation does not stop the country's progress in the education sector. Education is the most efficient means to build a more more free, equitable, participating, democratic, and prosperous society. In the school year which ended in July, we continued toward the achievement of an essential goal — attaining general coverage of elementary education services for children and youths between four and 15 years. The attendance rate has increased at the preschool, school, and high school levels. The passing rate and good averages throughout the year have also improved; this process will continue during the current school year.

Progress has been achieved in the consolidation of an overall reform in the quality of education and educational material; 114 million free textbooks are being distributed this week with unprecedented punctuality. Thanks to the teachers' interest and the enormous support from their labor union, progress is being made to bring teachers up-to-date and to train them. Special emphasis has been made to extend attention to the most backward groups and regions, to achieve more justice in the sector of education. Remedial programs have been bolstered, extending them to 23 states of the republic in the current school year, to benefit more than 3.7 million students.

A great effort has been made to extend education to other levels. Nowadays, more than 23.5 million children and youths receive education in public schools at all educational levels. To improve the social well-being of all Mexicans and to encourage coexistence based on democracy and justice, we need to attain vigorous economic growth. The effort made up to now to overcome the economic emergency is only the first phase of a broader strategy that will lead us to reach sustained and sustainable economic growth.

In this first stage we have concentrated on correcting the imbalances that brought about the crisis, clearly dissipating the country's risk of financial and productive collapse, and we need to begin to set conditions that will allow us to begin economic recovery on a sound basis. It was in this first stage that the greatest costs were suffered in this financial crisis. Thanks to the efforts realized, we can now increase actions to promote economic recovery.

Legal reforms to boost social and private investments in railroads; telecommunications; civil aviation; and the transportation, distribution, and marketing of natural gas, which this honorable Congress intends implementing in response to the federal executive branch, are very useful in reaching this goal.

The deregulation program is aimed at this same goal of promoting jobs. The deregulation program will lighten the heavy burden of steps that micro, small, and medium enterprises must follow, both to install themselves, as well as to carry out their daily operations. The commitment is to have norms that will concentrate on protecting consumers and encourage activities by private individuals instead of obstructing them.

Because of its effect on jobs and to satisfy a basic need, reactivation of the house-building sector has been assigned high priority. There is a program under way that will allow this reactivation through the restructuring of existing mortgage credits; a substantial increase of new credits; broadening the goals for organizations that promote social-interest housing; and the simplification of steps, reduction of indirect costs, and reduction of costs in issuing deeds. The special housing program was designed to generate 200,000 additional jobs starting the second half of the year. Another important source to bolster economic recovery will be public investment, which will grow significantly during the next few months.

Parallel to the marked austerity needed during the first half of 1995, nearly three-fourths of the programmed federal public investment will be spent during the second half of the year, favoring recovery of the demand and the GDP. For 1996, an expenditure calendar will be drafted to give first half-of- year continuity for public investment recovery. For the same purpose, the preparation of projects has now begun, intended so that they can be started once budgetary resources become available.

An adequate, modern, and sufficient infrastructure is a basic requirement for economic growth. In order to overcome these types of deficiencies in our country, this demands that public investment be complemented with private investment. To this end, during this same month, the infrastructure investment fund will be created, with an initial contribution of public resources worth 1.6 million new pesos. This fund, through the participation of risk capital or by issuing guarantees, will allow the bringing, on a healthy basis, of private resources for building basic infrastructure in favor of more balanced regional development.

Another very important prime mover for economic recovery will be the relief of the financial situation of enterprises and families. Costly levels of debt had accumulated even before the crisis. Thus the positive results of the adjustment program have given the government opportunity for action, and this has been used to promote and make viable liability restructuring programs for enterprises, producers, and families, with commercial and development banks.

Within a framework of fiscal and monetary responsibility and under the premise of preserving the solvency of the institutions that store and pay for Mexicans' savings, the federal government has committed part of its financial capacity to contribute to resolving the burden most debtors in the country have, particularly lower-income debtors. The program to give respite to debtors includes reductions in the payment of interest, forgiving of overdue interest, ceilings on the expenses debtors may incur to restructure their liabilities, legal moratoriums, and limits on the additional guarantees banks may request. The decrease in the financial burden of both families and companies will give more respite to their budgets and will constitute a major motivation to restore the consumption and investment levels for the sake of the entire economy.

I am confident that we will see the country on the road to economic recovery by the end of the third quarter and certainly during the fourth quarter of this year. Unlike the first two quarters of this year, the gross domestic product will grow during the third and fourth quarters. The growth will be moderate, compared to previous periods. This will be as a result of stabler financial markets, lower interest rates, the respite given to debtors, housing sector incentives, the increase in public investments, the expansion of exports, and the resumption of direct foreign investments. Economic reactivation will not mean in any way that economic discipline will be relaxed.

In order to recover based upon solid foundations, healthy public finances must be invariably maintained, as well as monetary policies compatible with the necessary inflation reduction and exchange policies permanently encouraging the exporting sector. With this last goal in mind, we will continue to negotiate free trade agreements with other countries and regions.

In 1996 the recovery will be widespread, and the foundations for the dynamic and sustained growth we will attempt to achieve in the upcoming year will be consolidated. As the National Development Plan proposed, achieving sustained rates of economic growth higher than five percent annually is essential, once the current financial crisis is overcome, and once the economic recovery is consolidated. This is the only way in which we will be able to abate the historical backwardness and continuously improve job opportunities. To this end, we will bestow a renewed impetus to the policies aimed at increasing production through labor training and the technological innovations of companies. In addition, we will promote the agreements that will allow us to embark on the necessary reforms to promote more jobs for the labor force in the production processes.

Once recovery starts, the major challenge for the economic policies will be to sustain it and consolidate it. The creation of additional sources of employment requires investment, and these depend upon the resources available for their financing, resources that come from domestic and foreign savings. Consequently, the key to accomplishing sustained economic growth and avoiding the reemergence of the financial crises that have adversely affected Mexico in the last two decades lies in the increase in domestic savings.

The bigger our internal savings, the bigger the investments and the more jobs available. Furthermore, a growing economy will allow us to absorb foreign savings, progressively and without any risk of insolvency, to attain still more investments and jobs. The national development program has outlined the principles of a comprehensive strategy to strengthen internal savings. Included in this program, the reforms to the tax system and the establishment of pension and housing tax systems are especially important.

The reform to the tax system must be implemented in several phases and adjusted to the possibilities afforded by our economic recovery. I propose to this honorable Congress that in the current ordinary period we work on the first phase of this reform. This phase covers the institutional framework of the tax system, its administration and streamlining, and the legal security of the taxpayers. In subsequent phases we would broach the most significant changes to the tax structure.

I also present for the consideration of this sovereign organization, a proposal for it to legislate on a new tax system for retirement and housing. It has to be a system that will permanently encourage personal and family savings, that will significantly expand the possibilities of building homes, and that will ensure decent pensions.

To further the task of achieving the sustained growth necessary to generate well-paid jobs, which are rightly being demanded by Mexicans, we will start all the necessary economic reforms and will make sure they will be implemented favorably.

No strategy for economic recovery, however, will give us the results desired and the ones Mexico requires unless at the same time we do not guarantee the validity of the state of law and public security. The citizens continue to be victims of the inconsistency between the written law and its observance; between the norms and their implementation; between formulas for justice and their practice.

Society is profoundly and justifiably indignant. The daily threat to people, their families, and their properties in many areas makes us indignant. Citizens are constantly concerned about the lack of security on the streets, roads, and public places. They are offended by the frequency of crime and the impunity of those who violate the law. They, justifiably, get riled when they confirm that many times the people who are in charge of guaranteeing order and procuring justice are the ones who violate the law.

We continue to experience strong and highly justified mistrust of those institutions, programs, and persons responsible for public security. We are living the consequences of many years of inadequate measures, negligence, and omissions in the systems to mete out justice and provide public security in the country, which have seriously impaired social coexistence. In all honesty, I admit that the shortcomings and scope of this problem are serious, very, very serious. In order for law to become the effective norm of our social, political, and economic coexistence, it is indispensable for us to advance in making profound transformations to the systems of justice and public security.

We cannot end this transformation overnight. It is an arduous and lengthy task in which there will be inevitable moments of trial, successes, and bitter occasions. It is a task, which, like the best fruit, will take time to ripen; it is such a transcendental task for our social life, it will grab my attention every day of my government.

The transformation of our justice system will be solid, legitimate, and viable only if it is made beginning with the Constitution and the strengthening of the laws. This is why the first step we took was to send a constitutional reform initiative to this sovereign body. Before the permanent constituent assembly approves this initiative, Congress must intensely debate it and substantially enrich it. The constitutional reforms enacted in December 1994 laid the foundations for the judicial branch to be independent, to be an impartial branch showing honest integrity, to be a professional and better trained branch to carry out its responsibilities.

For the first time in our history, the Supreme Court of Justice [CSJ] is a genuinely autonomous body elected by the Senate of the Republic. I repeat: the times of political appointments and the influence the president of the Republic had in the CSJ are over. [applause]

The duties of the CSJ have been expanded to oversee the constitutionality of laws and resolve the controversies among the government branches. Thanks to the reforms promoted, municipalities, states, the federal district, and the federation are able to settle their differences at the CSJ through well-regulated procedures.

In addition, a third of the legislative body can contest the unconstitutionality of a law in an attempt to suspend its enforcement. As we expanded these duties of the CSJ, the balance among the government branches was strengthened, and our social and political lives were guaranteed to comply with the Constitution.

The reforms the permanent Constituent Assembly approved created a body of administration, discipline, and government for the judicial branch. They allowed us to lay the foundations for the judges and magistrates to have guarantees of independence and stability to act impartially, strictly adhering to the law with honesty and promptness. These are foundations for citizens to be confident that justice will not favor those who use political influence or economic power.

In Mexico, the writ of amparo is the main means for the legal protection of citizens' rights in view of the actions of authorities. During the period of sessions that starts today, we will submit to the consideration of Congress an initiative for a new amparo law. This initiative will propose accelerated and simple procedures to facilitate for citizens the use of this valuable instrument.

To a certain extent, the proliferation of criminal activities is the result of economic and social factors, but the serious occurrence of crimes in our country is also the result of the obsolescence and limitations of our criminal prevention and prosecution bodies. A serious obstacle to seeking an effective criminal prosecution lies in the fact that criminals have improved their organizational capacity and their use of illegal resources.

On the other hand, the approximately 2,000 police bodies operating throughout the nation lack effective coordination. They usually have quite heterogeneous procedures and technical means, unequal training and qualifications, and inarticulate priorities and programs. In this regard, we have taken the first step with the constitutional reforms as we established clear and legal regulations to implement overall policies of public security and justice administration throughout the country. [applause]

This policy is aimed at undertaking a systematic, persuasive, and in-depth attack against criminal activity and organized crime. During this session I will be submitting for the consideration of the Congress of the Union a bill addressed at regulating all aspects of the coordination between the federation, the states, and the municipalities to establish a National Public Security System. This bill will be an instrument that will allow the three government bodies to jointly design and apply an integral public security policy, since it will take into account the operation of different levels of coordination offices, develop training and performance principles applicable to police officers, and oversee all instruments required to systemize relevant information on public security.

With this National Public Security System, we propose to combine all attempts to establish a regulatory framework and adopt effective measures at the various government institutions that will ensure the purging, professionalism, and improvement of the technical capacity of the police forces.

In view of the capacity and criminal influence of gangs of delinquents, we must have a complementary system that makes it possible to combat organized crime efficiently. Drug trafficking today is a terrible enemy of society as a whole. Drug trafficking has turned into the most serious threat to national security, society's health, and public tranquillity. It also poses a threat to the coexistence, values, and traditions of the Mexican people. Mexicans are confident that every nation will assume its responsibility. We will join the worldwide effort through more effective international cooperation. At any rate, we will continue combating drug trafficking with all the instruments within our reach.

In order to reinforce the struggle against this evil that attacks the individual's will, harms the strength and credibility of institutions, and paves the way for corruption, I will be sending a federal law initiative against organized crime to this sovereign congress.

Parallel to the legislative initiatives currently being analyzed, and considering the magnitude and complexity of the problems of public security and justice administration, the complete restructuring of the attorney general's office [PGR] of the republic and the federal district has also been launched. The initial steps have already been taken, but the task we have ahead demands the active, resolute, and persevering participation of the three branches of the Union, all government institutions, as well as society as a whole.

With all due respect, today I invite the legislative branch to intensify its participation in the transformation of the justice system by contributing in formulating initiatives and verifying their respective results.

From the start of the investigation into the crimes against distinguished personalities of the country's public life, there was evidence of the deficiencies, limitations, and lack of credibility in the persecution of the crimes. In light of these events, and in all my decisions as president, my guide and the sole object of my loyalty is the Constitution of the republic.

Articles 17, 21, and 102 of the Constitution establish that the PGR, headed by the attorney general, is responsible for prosecuting federal crimes, that the courts are responsible for executing justice, and that the judicial branch is specifically and solely responsible for imposing sentences. The latter determines the validity, conclusiveness, and quality of the facts and evidence submitted by the PGR. Therefore, from the beginning I was convinced that the best way to fulfill my responsibility would be by promoting the independence and strengthening of the judicial branch and by appointing an attorney general whose independent criteria and freedom of action could not be questioned.

I have promoted constitutional and legal reforms reinforcing the autonomy and attributes of the judicial branch. In the same manner, to guarantee the independence of the person heading the PGR, I appointed as attorney general of the republic an outstanding member of the legislative branch who is not a member of the same political party I belong to. [applause]

The attorney general knows that he must carry out his tasks with complete freedom, with no limits except the law, and without yielding to any sort of pressure. My only instruction has been to seek the truth and achieve justice, but strictly complying with the Constitution and the laws.

As president of the republic, my obligation is to follow the investigations that with total independence the PGR conducts and also respect at all times judicial branch resolutions.

I urge citizens and the media, without impairing their guarantees and freedom, to support work independence and the procurement and delivery of justice, avoiding sensationalism, rumors, and pressures. [applause]

I urge all Mexicans to continue working on building a country of law, a legal state that guarantees justice without exception, without privileges, without impunity.

A social life ruled by law and citizen participation is the basis for economic growth and an authentic democracy.

When sworn in as president of the republic, without pressures or previous pacts, I called for the overall democratization of the nation, starting with reforms to the state — a reform that strengthens the balance between branches of government, that builds a new federalism, and promotes definite electoral norms.

Before working directly with the Congress of the Union with the reforms, I proposed to reach agreements with the leadership of the parties represented here, to immediately build broader agreements and streamline proposals with the participation of other social organizations. Nevertheless, positions and very respectable priorities, as well as the parties' particular causes, have prevented greater headway.

We need to be aware that democratic development cannot be limited to a single path. Our institutional life shows that various legitimate paths exist to move ahead in the overall democratization of the country. I continue to believe that a preferable first step is an agreement with party leaders, but I am open to all legal and political avenues, which genuinely bolster democratic development with the speed, openness, and efficiency that Mexicans demand. In this sense, the legitimacy, representability, and pluralism of the honorable Congress of the Union offers a promising democratic route to boost the country's political process.

Congress has forged our laws and institutions, has debated with openness and passion the ideas from yesterday and today for a Mexico of tomorrow, and has consolidated our political plurality. It intends to play an important role in democratic development for the 21st century. Within the framework of the Constitution, I am bent on fostering a new relationship between the branches of government, which ensures a clear and effective balance. As far as the executive branch is concerned, that construction must arise from a presidency that always follows the law, which makes exclusive use of the powers conferred upon it, and that subjects all acts to citizens' scrutiny.

The republican balance demands that both the judicial and legislative branches be strong.

The reforms that I promoted before this sovereign Congress last December strengthen the judicial branch's independence, and ever since I assumed this responsibility, I have promoted a new working relationship with the legislative branch.

With regularity I have met with legislators of all parliamentary blocs to discuss issues of national interest with frankness, respect, and a constructive spirit. With complete honesty I say that this republican dialogue has been very beneficial for me, and I plan to intensify it.

The strengthening of the legislative branch is basically a responsibility of its chambers. I have voiced my commitment to respect and encourage any initiative to consolidate the legislative branch as a stronger and more respected power that will actively cooperate with national tasks.

Thus, the federal executive branch will cooperate, in terms that legislators deem appropriate, in the achievement of a modern and diligent regulation of procedures, deadlines, and modalities to forward, analyze, discuss, and as the case may be, approve initiatives, laws, or reform bills.

An essential measure to strengthen the balance between the branches is control and oversight of the executive branch. In this regard, the federal executive branch is ready to forward and discuss an initiative to ensure this oversight becomes an exclusive responsibility of a legislative branch body. [applause]

I propose the creation, within the legislative branch, of an authentic superior oversight [auditoria superior] body for the federation. As I said, I will present for the consideration of this sovereign Congress a constitutional reform bill to establish at the Congress of the Union an associated superior oversight body with legal status and its own assets, with autonomous technical and professional capabilities, and with authority to control, oversee, verify, and correct the use of public resources.

The creation of a superior oversight body of the federation, which will be part of the Congress of the Union, will correct the erroneous practice that he who is being overseen is also the overseer. It will promote an impartial, honest, convincing, and reliable process of accounting for one's actions, and this will be a decisive step in the struggle against corruption and impunity. [applause]

With the examination and the proposals of Messrs. legislators to this bill, we will take a very important step toward invigorating the balance and counterbalances that exist among the branches through a genuine effort to strength the legislative branch. This will be an essential aspect of state reform.

The federalist ideal has profound roots in our history, which have combined with the first aspirations for independence and the original struggle for national sovereignty. The organization of the republic into a federation inspired heroic deeds and demanded the best talent of great Mexicans. We must recognize that more than one and a half centuries later the reality of our federalism has not yet satisfied that ideal, those deeds, and those Mexicans.

To a great extent, the states and municipalities and their men and women continue to face the consequences of centralism. We must come up with clear and immediate initiatives to build a new federalism to strengthen democracy, nourish national unity with our diversity, and promote more equitable and just development.

In building that federalism, it is imperative to profoundly redistribute authority, responsibility, and resources from the federal government to state and municipal governments. This redistribution is essential to defeat centralist vices and inertia and to advance, through constant and successive steps, toward the achievement of the federalism we want for the next century.

Supported in the Constitution and the laws, we will advance toward a new federal pact that will better meet the interests and demands of citizens of communities, municipalities, and states. We will advance carefully, continuously, and systematically without jeopardizing national unity. We will advance while fighting inequalities and compensating for them in order to promote equity and justice.

The new federalism must be built within the framework of state reform, but we can establish immediate consensus to carry out firm actions. As a first step to create a new financial coordination system, I propose a review of the current distribution of taxing powers among the various government bodies to expand the tax base available to federal bodies, and thus, increase their own revenues.

An essential element of the new federalism is a decentralization understood as a transfer of duties and resources from federal bodies to states and municipalities. I propose a deepening of federalism in education by extending its effects to high schools, universities, and school construction.

We will promote the definitive decentralization of health services to ensure that local governments will offer more agile, timely, humane, and efficient services at clinics and hospitals.

We will implement extensive decentralization at the Secretariat of Agriculture, Livestock, and Rural Development, and we will begin to transfer to the states important duties of the Secretariat of Communications and Transportation. We will also promote the decentralization of significant elements of the environmental and water policies. Through decentralization we will bring the institution's actions to where the problems are, where demands are made, and where solutions should be applied.

Also, with regard to the 1996 expenditures budget of the federation, we will propose the decentralization of nearly two-thirds of Branch [ramo] 26, which corresponds to the Social Development Secretariat, to channel those resources to municipalities through state governments. [applause]

I propose a new federalism, because it is the best option to promote the nation's overall development based on prosperous regions and strong states and municipalities. A new federalism that promotes unity and respects geographic, social, and cultural diversity. A new federalism that will truly combat backwardness and lessen differences.

All Mexicans have recognized the backwardness and contrasts; the conditions of injustice and poverty that prevail in Chiapas. When I became president, I said peace with dignity and justice could only be reached in Chiapas by means of dialogue and negotiations, within the legal framework, and without violence or extending the conflict.

Today in Chiapas, there is a distinct difference from the conditions that reigned last year. There are less violent acts, and essential programs of health, nutrition, education, and basic services have been extended, although on a small scale, to all regions.

Today, difficult negotiations are under way amid obstacles and conflicts. Nevertheless, they are slowly yielding results.

The presence of government institutions in Chiapas has greatly contributed to the beginning and continuation of the dialogue. We must especially acknowledge that the negotiations are to a great extent the result of enormous efforts made by the honorable Congress of the Union. In an unprecedented joint action, the executive and legislative branches issued the Law for Dialogue, Reconciliation, and Honorable Peace with dignity in Chiapas, which offers a legitimate political and constitutional basis, to reach a just and definite solution.

I wish to acknowledge the significant mediating role — always driven by the republic's interests — that members of the Harmony and Peace Commission — the majority of whom also serve in the legislative branch — played. We must continue the dialogue in Chiapas with a language of peace and not war, with a language of reconciliation and not threats, with a language of hope and not rancor. In particular, we must focus the dialogue on solving the real causes of destitution, backwardness, and a lack of opportunities. We must not waste time on procedural matters and secondary formalities. Agreements in Chiapas could bring about a comprehensive program to meet social development needs and to promote Indian rights. I propose that we use dialogue to solve agricultural problems and to promote the peasant economy of Chiapas. I propose that the legislative and executive branches, based on the experience of dialogue and negotiation, draft a bill on Indian rights to regulate Constitution Article 4. Now is the time to define a new relationship between the Mexican state and the Indian communities to ensure that they become the protagonists of their development within the framework of the general Constitution of the republic. Through this new relationship, we will strengthen the coordination and orientation of federal actions in promoting welfare and development, we will fight inertia, mend offenses, and multiply opportunities.

I respectfully invite this honorable Congress to intensify and strengthen its participation in the peace process with dignity and justice.

The lasting peace demanded by Chiapas must be constructed by all. No one should spare his commitment. United we can overcome injustices and backwardness. The large majority of Mexicans sympathize with the reasons behind their protests and reject injustice, but they also reject violence. They demand that our differences be resolved through fully democratic means. [applause]

Democracy is not expended in election processes, but merges with them. Electoral democracy is not paralyzed today. In the last few months, while some circles discussed whether we should set conditions for or postpone the responsibility to build a full-fledged democracy, democratic progress has basically rested with citizens.

Since February of this year, local elections for governors, congressmen, or mayors have been held in 10 states. These election processes have been held with a great voter turnout and in the majority of cases under new electoral laws. In many states of the republic we have held highly competitive and peaceful elections. The results of these elections were in correspondence with the will of the citizens. This is all part of a political life characterized by democratic normalcy. This is not an achievement of the government or of a party. It is a firm, irreversible step toward a complete democratic development that is being built from the foundations of society itself. Citizens are building it.

That is why I reaffirm my determination to work, along with the Mexican citizens of all ideological currents, of all social groups, and of all regions of the country, in the construction of the democracy we want for the 21st Century.

For quite some time, the federal government has been prepared to seriously discuss the transformations demanded by Mexico's full democratic development. An important element is a definitive electoral reform, not to reject future changes, but to put an end to the discontent and controversies over what is essential. The reforms must guarantee full autonomy of the electoral bodies and conditions of equality in the competition. This reform cannot be built over the vices of the old authoritarianism or in violation of the law to demand private interests. It must respond to the growing complexity and diversity of our social life, to the most intense political competition, to the organizational maturity of parties, and to the vigorous presence of citizens.

Electoral reform will certainly reflect the interest of parties and the various organizations, but it should also respond to a deep conviction and to a firm commitment to Mexicans, which I will be able to honor.

This commitment is to make the 1997 federal electoral process be held under norms that can guarantee lawfulness, fairness, honesty, and reliability.

When I submit my second government report to this congress, the new framework of norms should have been defined. To honor this commitment, I trust the electoral reform will first be the result of a consensus among the party leadership and also the result of the efforts conducted by a stronger, more active legislative branch.

Today I invite everyone, the Congress of the Union, the political parties, state legislatures, state and municipal governments, and social organizations to join in the construction of full democratic development.

Honorable legislators, ladies and gentlemen: We are facing times that are testing us. These are moments that demand determination and clarity. Today more than ever we must all seek the strength of our union.

Our unity is the best guarantee to preserve and strengthen national sovereignty. United we will reaffirm the determination of all Mexicans to enhance sovereignty by defending our identity and culture, our diversity and institutions. The values of our sovereignty are independence and liberty, justice and democracy, a common story. Sovereignty is the basis of our right to education, health, work, and equal opportunity.

We want a more democratic and just Mexico. We want the historic bases of our federalism to prevail; to live in an atmosphere of greater security; to see productive efforts bear fruit for everyone. Let us work arduously to achieve this. Let us work with determination to defeat adversity.

We have overcome the worst times of the crisis, and in upcoming years we will see economic growth and a multiplication of jobs. We are establishing the bases for the strengthening of our state of law. There is a firm social thrust to ensure the country's political progress. This is no time to rest but a time for efforts; this is no time for selfishness but a time for devotion to a cause; this is no time for violence but for peace. Through our efforts, devotion to a cause, peace, and unity, we will give strength and certainty to Mexico's development.

The Mexico of progress, a more democratic and just Mexico, demands a unification of our wills and the vigor of our efforts. Let us do our part to deliver this to our children, let us do our part to deliver this to Mexico. Thank you very much. [applause]

Party Leaders React to Zedillo Speech

PA0209231195 Mexico City XEW Television Network in Spanish 0430 GMT 2 Sep 95

[From the "24 Hours" newscast; passages within quotation marks are recorded]

[FBIS Translated Text] Leaders of the four political parties represented at the Chamber of Deputies spoke after the president delivered his state of the nation address.

We have Santiago Onate, president of the PRI [Institutional Revolutionary Party].

Onate said that the reforms proposed by President Ernesto Zedillo will make the government an authentic instrument to benefit society.

[Onate] "The president proposed today a new equilibrium among the branches of government. He has proposed the strengthening of federalism and he has also proposed significant progress in the field of justice. This state reform should benefit Mexicans."

Santiago Onate, president of the National Executive Committee of the PRI, said the PRI legislators will conduct an extensive analysis of the report given by the president to the Congress.

[Onate] "To guide the government's actions, to guide the federal government's action toward the productive sectors for their strengthening, the creation of jobs, the possibility of obtaining better and larger markets for the export of our country's products and economic consolidation through domestic savings [sentence as heard]."

When talking about President Ernesto Zedillo's message to the nation, the PRI president said:

[Onate] "I believe the message is spectacular because of the clarity with which problems are brought up, because of the firmness with which solutions are proposed, and because of his clear leadership in strengthening the country's democratic life and respect for the law in the coexistence of Mexicans."

Santiago Onate said political reform cannot be postponed and Mexicans must make progress in this regard with greater commitment and speed. The first meetings between the PRI and the PRD [Party of the Mexican Revolution] in the search of mechanisms for political reform can take place next week.

According to Carlos Castillo Peraza, national leader of the National Action Party [PAN], President Zedillo spoke with moderation and restraint, but in many of his points he was not self-critical. [as heard] As for the country's economic recovery, he said the presidential report contains vague dates.

[Castillo] "He said the third and the fourth quarters. He later talks about tendencies for the start of the recovery. That is not a clear promise nor an exact date. We hope he is right. We cannot stop wanting that. We are Mexicans and we are on the same boat, but he was not very specific as many Mexicans would have liked."

Castillo Peraza said it is possible to achieve a political reform and agreements among party leaders before the government's second report.

[Castillo] "It is desirable and possible if the conditions set by the director of the IFE [Federal Electoral Institute] are met. I believe we have made enough progress in informal discussions, which have already been stated in the document signed by the PRD and the PAN."

He said the PAN is concerned about how the federalism proposed by Zedillo will be achieved.

[Castillo] "Is it going to be a federalism based on decisions made in Mexico City or a federalism proposed by the PAN where governors are convened and where decisions are made down below and go on up the way a real federalism works."

In matters of justice, the support given to the attorney general is appropriate, according to the PAN.

[Castillo] "This shows there is a commitment for change in this matter despite the difficulties that have emerged there and despite the unfounded accusations against the attorney general. The president's decision shows us his determination in this matter is appropriate and positive."

Mr. Porfirio Munoz Ledo, leader of the PRD, gave his opinion regarding President Ernesto Zedillo's state of the nation address.

[Munoz] "A very abrupt change has taken place if one compares the verbal diarrheas of his predecessors and this one, which has been a report marked by an intellectual constipation. The speech has also been the president's self—praise of his anti-leadership. The report was divided in three parts and the economic section was inaccurate. It implies that the external world does not exist because of our brutal straitjacket."

Munoz Ledo added that there is nothing that can lead us to think that there will be a reactivation of the economy and an economic growth. As for political crimes and the work done at the attorney general's Office, the PRD leader said:

[Munoz] "As for political crimes, I believe that what he said is unacceptable. The person responsible for procuring justice is the president of the Republic. According to the Constitution, the executive branch is headed by a single person, who is the president of the United Mexican States. The attorney general's office is an agency of the government that is under the president's authority. The fact that he turned it over to another political party is his problem, but he is still responsible."

The PRD leader, when talking about the concepts of domestic policy contained in the presidential address, said:

[Munoz] "As for domestic policy, it is, in fact, relatively open. It follows the proposal for a state reform made by the PRD but with a very limited approach. I can give you a single example: They keep thinking the new federalism is simply a transfer of resources, such as subsidies for states, or the greater participation of the states. They miss the point. It is a matter of reforming the federation's fiscal situation. There is no sense in having the central government collecting taxes and passing the resources down to the states when states and municipalities can do it directly as it happens in all federal countries of the world."

Jose Narro Cespedes, coordinator of the Labor Party leadership, said in an interview that the format of President Zedillo's first report was very realistic, but said it lacks substantial progress in the government's economic policy.

[Narro] "We believe progress was made in achieving a more realistic format in Dr. Ernesto Zedillo's report, but I believe we have to point out that we have not seen any substantial progress being made since he was sworn in. We have not seen important changes being made to the government's economic policy. He speaks about a five-percent growth rate of the GDP next year, but with this policy which has led us to a disaster and to a paralyzation of the national productive sector, we do not see how the government will be able to resolve the conditions of poverty and inequalities in which Mexicans are living. We do not see how these policies can also reactivate the Mexican economy and lead us down the path of development."

Mr. Narro Cespedes was interviewed outside the San Lazaro Legislative Palace.

Mr. Cuauhtemoc Cardenas Solorzano, leader of the National Democratic Alliance, was interviewed after participating in a rally held against the president's state of the nation address at the Monument of the Revolution. He said authorities have not reached the ultimate consequences in the homicides that have shaken Mexico.

[Cardenas] "I do not believe he said anything about instructing the attorney general's office to continue with the investigation of the Colosio, Ruiz Massieu, and Cardinal Posadas cases, which show that high-ranking government officials of the previous administration, including Carlos Salinas de Gortari and Jose Cordoba, participated."

Cardenas said that President Zedillo must replace members of his cabinet.

[Cardenas] "Zedillo himself should replace people in his administration and appoint people who have other commitments with the country."

Cuauhtemoc Cardenas also talked about a change in government.

[Cardenas] "We hope for the unity of social, political, and productive forces that can impose a change of policy. That is up to us to accomplish."

Zedillo Meets Senate Leaders

PA0309005195 Mexico City LA JORNADA in Spanish 31 Aug 95

[Report by Elena Gallegos on President Ernesto Zedillo's meeting with Senate leaders — received via Internet]

[FBIS Translated Text] President Ernesto Zedillo met with Senate bloc leaders. He agreed to develop a new relationship with the legislative branch, which will not be limited to informal talks. The Executive's proposals forwarded to Congress will be discussed at working meetings between both branches.

PRD [Party of the Democratic Revolution] representative Hector Sanchez told President Zedillo that the "overwhelming majority" practice to approve laws must be stopped. He disagreed with the forthwith transfer of the national political dialogue to the legislative branch, which would leave out the possibility of party leaders having a real discussion.

The PRI [Institutional Revolutionary Party] believes one option does not exclude the other, in other words, discussions could take place in both sectors. Fernando Ortiz Arana said PRI members would be willing to review the framework that regulates relations between the executive and legislative branch and, if necessary, modify it to give a legal structure to the new type of relation.

Meanwhile, PAN [National Action Party] deputy coordinator Jose Angel Conchello noted that his party members do not see the need for constitutional reforms in order to regulate the new relation between government branches, as long as there is willingness to conduct smooth discussions.

Conchello said that during the meeting, President Zedillo noted that an important subject of proposals that the legislators will receive, analyze, and, in due time approve, is related to an in-depth reform of the tributary system, as well as the legal security. He added: "I understand, however, that those changes do not imply an increase in taxes, because it will be the worst time to do so."

President Zedillo invited the senators to breakfast. The meeting, which lasted more than two hours, took place in the Vicente Guerrero Hall of the Miguel Aleman's residence, where Zedillo also met with the deputies last Tuesday.

After the meeting, reporters saw a large group of PAN legislators arriving —Ricardo Garcia Cervantes and Rodolfo Elizondo among others— which triggered speculations due to the harshness prevailing the day before during a meeting between Garcia Cervantes and President Zedillo.

It was said that actually those who arrived were members of the Cocopa [Harmony and Peace Commission], and a few hours later it was confirmed that members of the PAN's CEN [National Executive Committee] were indeed present at Los Pinos attending a meeting behind closed doors.

Although President Zedillo had breakfast with senators from various parties, dinner was reserved for the PRI members. All PRI representatives to Congress joined him from 1530 to 1730 at the Casino Naval.

"Believe it or not, there were no speeches, it was a party gathering, because PRI members in both Chambers always have in mind our bond with the president. We are the same party, we want and promote the same project," Humberto Roque Villanueva told reporters.

In fact, it was just a social meeting. To conclude, President Zedillo, accompanied by leaders Ortiz Arana and Roque Villanueva went to each of the tables, greeting and embracing each one of the 300 guests.

There Will Be No Unexpected Actions

In the morning, after the breakfast at the Vicente Guerrero Hall, Ortiz Arana, Sanchez, and Conchello gave a news conference, where they summarized their meeting with President Zedillo. Ortiz Arana said the first issue tackled was the format of the Presidential State of Nation address to be delivered on Friday, which will have two important innovations.

The first one is the presence of secretaries of state; the other one is the elimination of the salutation at the National Palace following the speech.

Some [word indistinct] leaders said: "we believe that Congress is a privileged forum to reach consensus and agreements; therefore, it is a good venue to promote state reforms."

As he did with the deputies, Zedillo listed the topics that the executive branch plans to introduce into the legislative agenda. The PRI leaders reiterated that as a majority bloc, they must seek agreements with the other political forces, must be a constructive political center in both chambers, make national interests prevail, prevent irresponsible attitudes in congressional work, and not fall in the temptation of gaining temporary and sterile popularity.

Those present agreed with Zedillo that society demands a profound reform in various aspects and a final revision of the laws concerning the preparation, development, and supervision of the electoral process.

Meanwhile, Senator Conchello said that by discussing the topics in the legislative agenda, Zedillo ended one of the most "anti-legislative" practices that prevailed in previous administrations, the unexpected actions when bills, reforms, or decrees were presented unexpectedly without giving the deputies enough time to discuss them or the public to learn about them.

The senators and the president discussed at length the need to have an adequate framework to fight organized crime and drug trafficking. In that regard, Conchello told Zedillo that under the current laws "pursuing organized crime is like pursuing a hare while riding a turtle."

It was agreed that special care must be exerted when issuing those laws, because of there is always the danger of authorities "stepping on individual rights" when expediting actions.

Meanwhile, PRD member Hector Sanchez said that the meetings with the president should not only take place prior to the president's state of the nation address because they could be interpreted as an attempt to reconcile differences and guarantee an uneventful session.

Sanchez also told President Zedillo that one of his party's main concerns is that society is misinformed about the congressional sessions, and therefore demanded more opportunities and coverage in the electronic and printed media.

No One Can Deny The Cross in His Own Parish

At the Casino Naval, the PRI deputies and senators gathered around the president. Layda Sansores said she was pleased to see that, contrary to previous occasions, this time there were no ushers assigning the seats close to the president to anyone in particular. On the contrary, in yesterday's meeting the PRI members sat wherever they wanted, as they arrived.

"It was a good meeting, Sansores said, without any acting or bowing to obtain promotions."

We were served soup, avocado with shrimp, and fish rolls. "There were no other rolls, only fish rolls," Roberto Campa Cifrian said.

Jose Trinidad Lanz Cardenas said that the legislators were grateful because there were no speeches and commented that a healthy distance does not mean that the president is not a good PRI member or denies the cross of his own parish.

Finally, after the dinner — which by the way was not attended by any cabinet member or by the PRI president — Roque Villanueva said that almost at the last minute they decided to invite the president. Was the hand kissing advanced? "No. In any event, it was an embrace," he said.

El Salvador

Government Studies Trade, Diplomacy With Cuba

PA0409022695 San Salvador LA PRENSA GRAFICA in Spanish 1 Sep 95 p 3A

[Article by Gerardo Lopez]

[FBIS Translated Text] El Salvador is studying the changes that are taking place in Cuba, which might make it strengthen its commercial relations and even establish full diplomatic relations with the island, Salvadoran President Armando Calderon Sol stated yesterday.

"We have said this could occur if there is a change, a change toward respect for human rights, democracy, and liberty," the president said. He participated yesterday in the inauguration of the Foundation for the Development of Chalatenango, FUNDACHA.

Last year Calderon Sol in his speech before the 49th UN General Assembly sessions requested a "frank and open dialogue" between Cuba and Latin America to aid in the democratization of the regime of Fidel Castro.

El Salvador has been the victim of Cuban aggression, which is why we "want to see that change in Havana," the president said, just as he has stated in international forums and to Castro himself.

He said that if there has not been trade between Cuba and El Salvador it is because the island has not had dollars, but he said that trade relations can be strengthened because "the Cuban people deserve it."

The president said he hopes Havana's economic conditions will improve, in order to engage in trade and to begin to pave the way for liberties in Cuba.

When asked by LA PRENSA GRAFICA if he agreed with reestablishing diplomatic ties with Cuba, Public Security Minister Hugo Barrera responded personally: "We must have relations with all countries of the world."

The official said the political situation that may have existed previously in our country has ended and, therefore, "if we have relations with Russia, we can have relations with other countries."

Barrera said that "to benefit the people our diplomatic and commercial ties with all countries should be expanded to the utmost."

For his part, Public Health Minister Eduardo Interiano said that "if we were able to shake hands and sit down to dialogue with the FMLN, at a given moment we can shake hands with all the world."

Citing the Bible, he said we must forget the harm Havana did to our country, which is why he does not rule out that at a given moment El Salvador can make peace with the island, just as it did with Russia and Nicaragua.

For his part, Interior Minister Mario Acosta Gertel said the premise for establishing commercial and diplomatic relations with Havana should be respect for all liberties.

Acosta said that any businessmen is free to be able to export to the island, but warned that a problem could arise the moment the billing is made, because Cubans do not have enough dollars.

"Hopefully, businessmen don't think the government is going to be the collector, and they must not forget that the United States is applying sanctions on businesses that are investing in Cuba," he noted.

Defense Official: Cuban Ties 'Unadvisable'

PA0409124495 San Salvador EL DIARIO DE HOY in Spanish 2 Sep 95 p 5

[Report by Jaime Garcia]

[FBIS Translated Text] The Salvadoran military, who still resent the Castroite support of the former guerrillas of the FMLN [Farabundo Marti National Liberation Front], deemed "unadvisable" for the time being reestablishing diplomatic relations between Cuba and El Salvador.

"It is not yet time to establish such relations. We cannot forget the financing by that country (Cuba) of the FMLN; everything must be at the proper time," Deputy Defense Minister General Alexander Mendez stated.

The economic opening in the island has led both countries to initiate commercial explorations.

Defense Minister General Humberto Corado said for his part that a possible reestablishing of relations "cannot be analyzed lightly... appreciations of a political nature must be made," he stated.

Corado called for an analysis of the harm and benefit that new relations with the Caribbean country would involve.

He added that thought must be given to national interests, but they must also await international policy decisions, which would affect the people if El Salvador were to make a unilateral decision.

Corado said that it can never be forgotten that the Cuban regime of Fidel Castro supported the former guerrillas of the FMLN. "It can never be forgotten; it is a historic occasion which harmed us a lot at a given moment. Thank God the democratic system was preserved in the country," he stated.

PNC [National Civilian Police] Must Exercise Strict Arms Control

The defense minister said the arms registration process has continued. Thus far approximately 60,000 weapons have been registered throughout the country. He believes there are some 100 weapons of various caliber that are registered daily.

"The PNC must exercise more weapons control among the people to reduce the danger," he said.

Regarding the homemade weapons that have been found in various parts of the country, Corado said that all that material must be destroyed, because it poses a threat to the citizens and to those having guns, because they are weapons that have been manufactured without any industrial security.

Corado made the previous statement yesterday during the inauguration of the civic month in the "Concha Viuda de Escalon" School.

Deputies Debate Relations With Cuba

PA0409124195 San Salvador LA PRENSA GRAFICA in Spanish 1 Sep 95 p 3A

[Article by Bernardo Valiente]

[FBIS Translated Text] Establishing relations with Cuba would be like "giving the tyrant a hand to continue repressing his people," Norman Quijano, an Arena [Nationalist Republican Alliance] deputy, said. This position was shared by the Social Christian Renewal Party, PRSC, and the National Conciliation Party, PCN, which believe in opening relations with a Cuban commitment to opening its doors to democracy.

Quijano pointed out that Fidel Castro has been in power for 35 years after much fire and blood, without allowing any freedom, let alone showing clear signs of wanting to walk the path of a real democracy.

Last week, 34 opposition deputies asked the Legislative Assembly to speak out on the trade embargo which the United States maintains over Cuba, which is currently being reviewed by the Foreign Relations Commission.

The Arena deputy said Cuba's economic opening is the result of the hunger that is adversely affecting its people and said his party would support the resumption of relations only after all Cuban political prisoners are released and after Cuba allows for the existence of political parties accompanied by freedom of speech.

As for the investments that Salvadoran businessmen are starting to make in Cuba, Quijano said it is ethically and morally imperative not to give the tyrant a hand and reminded businessmen that they have a wide range of investment opportunities in other countries.

The FMLN [Farabundo Marti National Liberation Front] Says Arena Would Be Strengthened

FMLN Deputy Eugenio Chicas said the resumption of relations with the island would favor the ruling party and explained that the Legislative Assembly should speak out against the economic blockade that the United States maintains against Cuba.

"The Cuban regime is no longer dangerous for U.S. stability, and Arena would be adopting an open position in addition to favoring the Cuban people," Deputy Juan Ramon Medrano, of the Democratic Party, said.

Dagoberto Marroquin, chief of the PCN bloc, said the government must find mechanisms to allow Salvadoran businessmen to make investments without running the risk of losing them. Laws should be passed to protect bilateral trade, he said.

Miguel Espinal, from the PRSC, said the globalization of the Salvadoran economy and the opening of opportunities is necessary, "but it is immoral to deal with a dictator like Fidel Castro."

National Assembly Deputy on Trade With Cuba

PA0309155195 San Salvador Canal Dos Television in Spanish 1900 GMT 31 Aug 95

[Interview with Deputy Rene Figueroa, member of the Salvadoran National Assembly Foreign Relations Commission, by Monica Iannuzzelli and Cesar Bayona at the Canal Dos Television studios in San Salvador; from the "Teletwo Newscast" — live]

[FBIS Translated Text] [Iannuzzelli] Continuing with the "Microwave" segment of this newscast, we have Deputy Rene Figueroa, from the Nationalist Republican Alliance [ARENA] party here with us. Deputy Figueroa is a member of the National Assembly Foreign Relations Commission. Good afternoon, Deputy Figueroa, welcome.

[Figueroa] Good afternoon.

[Iannuzzelli] We have just learned that a delegation of Salvadoran businessmen will be traveling shortly to Cuba to ascertain trade possibilities. What can you tell us about this?

[Figueroa] Well, what we can say is that it is impossible for us to deny the attraction of the Cuban market. We are speaking about 11 million possible consumers. We should keep in mind, however, that Cuba has a regime that in no way allows political freedom, freedom of expression, or much less freedom to trade, and that attraction that the Cuban market exerts is extremely dangerous. Who will the partners of those Salvadoran investors be? Members of the communist apparatus — in other words, the Cuban state itself. It seems somewhat ironic to have had the president of the Cuban Chamber of Commerce visit us a short time ago, yet when we asked him what commerce or industries he represented, it turned out that he was a government envoy. Private enterprise and private initiative do not exist over there, because there is no freedom. Then, we believe that even though 11 million potential consumers may be quite attractive, we must still proceed cautiously, because we are dealing with a regime that does not advocate any freedom, much less commercial freedom.

[Bayona] Now, Mr. Deputy, to recall some history. Why is it that our country does not maintain any relations with Cuba? Why is this? Is it because of trade or because of ideological pressure from the United States?

[Figueroa] We believe that it is not due to any type of pressure from the United States. Just take a look at what is taking place between the United States and Vietnam. Vietnam has demonstrated some degree of opening toward the United States. We should keep in mind what Cuba has exported to El Salvador. I find it somewhat offensive that this so-called Solidarity Committee with Cuba even has a photograph of Mr. Castro, and we are well aware of what he exported to El Salvador for years: guns, weapons, and personnel trained to cause destruction. At any rate, we must put all these ideological issues aside and concentrate on the commercial subject, which is what concerns us most. What guarantees do our businessmen have? They are embarking on an uncertain adventure, one that is quite risky. We can even call that adventure, just like the movie "Fatal Attraction."

[Iannuzzelli] If we trade with Cuba, do you believe that El Salvador would be subjected to any sort of penalties by the U.S. Government?

[Figueroa] No, I do not believe this would be the case. I do not even believe we are going to reach that point. The Salvadoran business community is quite experienced and idealistic. They are men and women who are very tenacious, and I believe they will understand the risks involved at a given time. They are attempting to enter the Cuban market. Evidence of this lies in this Salvadoran delegation that will be traveling to Cuba. In due time, they will understand that their partners will be none other than the Cuban Government, one that does not guarantee any types of freedom.

[Bayona] Mr. Deputy, a leftist deputy requested that El Salvador lift the trade embargo against Cuba. What is your position on that?

[Figueroa] Well, that is something that concerns the executive branch. Foreign relations are conducted by the executive branch through the Ministry of Foreign Relations. Personally, as a deputy, I can say that, after we ascertain that a regime exists in Cuba that represses, oppresses, and suppresses its own people, then I believe that we are not going to establish relations with a government that does not meet any of the conditions for a democratic government. Of course, I must acknowledge that a market of 11 million potential consumers is quite enticing. Yet we must be very cautious. The Salvadoran market, businessmen, and investors are looking for new markets and new frontiers. We are about to enter markets such as Asia, the Southern Cone, and the United States. The Cuban market could be attractive, but under a government that is prepared to guarantee freedom in every sense of the word, including freedom to trade so that we can export as well as import.

[Bayona] What I am going to ask you now is something theoretical, Mr. Deputy. If El Salvador decides to continue not to have any type of relations with Cuba, do you believe that what we could be encouraging would be some sort of clandestine export operations with Cuba, or maybe encouraging Salvadoran businessmen to resort to third countries in order to reach the island?

[Figueroa] Well, Salvadoran businessmen have always been very creative when they are after a specific objective. Nevertheless, we believe that the experienced and honest businessman who is interested in investing would not resort to any sort of maneuvers and search for a black market. We believe that in due time, when Cuba gives concrete evidence of goodwill, opening of political opportunities, freedom of expression, and trade, then the story will be different and we will fully support our businessmen in their quest to enter the Cuban market.

[Iannuzzelli] Thank you very much, Mr. Deputy, for having expressed your opinion with respect to trade relations with Cuba.

Solidarity Group With Cuba Urges End to Blockade

PA0309031495 San Salvador DIARIO LATINO in Spanish 31 Aug 95 p 24

[FBIS Translated Text] Spokespersons for the Solidarity Committee with Cuba demanded that the U.S. Government lift the blockade which has been maintained for several years on the Caribbean nation.

Armando Herrera, committee coordinator, said a delegation of 70 persons traveled to Cuba to participate in the International Youth Festival held from 1-7 August in the Latin American Voluntary Work Brigade headquartered in Cuba.

He said the committee channeled a material donation of 700 kg of medicine and didactic material compiled by different social and nongovernment organizations.

The committee coordinator said that in the wake of the over four-year U.S. blockade against Cuba and the loss of the Socialist market, some complementary daily nutrition products are scarce.

Armando Herrera called on all Salvadoran deputies and politicians to respect the draft proposal made by Deputy Eugenio Chicas of the FMLN last week, in the sense that the government of Dr. Armando Calderon Sol establish diplomatic relations with Cuba.

The initiative also called on the people in general to come out publicly in favor of the lifting of the blockade imposed by the United States on the Caribbean country. It also condemned the Helms-Burton bill, which attacks the sovereignty and self-determination of the peoples, because it violates the rules of international law. Hector Cruz, who is also a committee member, said the Salvadoran Government does not respond to the national interests that have been taken up at the international forum.

"The same Latin American Economic System (SELA), with the participation of 25 countries, resolved to condemn the blockade. The government does not respond to national interests, because private enterprise has stated it wants to have commercial relations with Cuba," Cruz stated.

Honduras

Reina Interviewed on Civilian Police Transfer

PA0409042695 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 1 Sep 95

[Report on interview with President Carlos Roberto Reina by Jose Danilo Izaguirre from "The Morning Paper" newscast; place, date not given]

[FBIS Translated Text] Various comments have been made regarding the approval of the law transferring the police to civilian hands. The decision was made by Congress. Certain National Party deputies disagree with other deputies, who believe the historic time has come for the police to be under civilian control. This will logically be the result of a discussion among legally registered parties and among the deputies of the traditional parties so that Congress can make the constitutional reforms for the transfer of the police department to civilian hands.

What is President Carlos Roberto Reina's opinion about this debate?

[Begin recording] [Reina] There is no doubt. We have been saying for a very long time that the police should be a professional, civilian, and disciplined body.

[Izaguirre] Former President Rafael Leonardo Callejas does not share the opinion that President Carlos Roberto Reina should appoint the first police chief.

[Reina] We cannot talk about that. I have no interest in opposing anyone. I believe we have to do it for the benefit of everyone, but of course, if the law gives the president the power to do it, this power should be exercised for the sake of consensus and national harmony. There is no need to impose anyone or to give the police a political nature because they should be an absolutely professional organization.

[Izaguirre] The Army says they are not opposed to allowing the police to be under civilian control, but that there should be a transition period in which this can be done very delicately and carefully to avoid problems along the way. They say it can be done when they are prepared. What is your opinion, Mr. President?

[Reina] We cannot delay this transition period too much, but it is a prudent idea to adapt ourselves to this new idea of a civilian police, which should be professionalized so that it can be a guarantee for all citizens. I believe this has been the will of the Honduran people for a long time and all Hondurans are about to achieve that goal.

[Izaguirre] A few courses to graduate more police officers are about to end. Where would these people go, Mr. President?

[Reina] I believe it is a good idea for those officers with experience in this field to take advantage of this experience in the new civilian police.

[Izaguirre] History has taught us that the black mark in neighboring countries has always been the police and the civil guard. Are some groups afraid this could be politicized, Mr. President?

[Reina] Fear will always exist in the minds of the opponents of [words indistinct] and this is normal. As far as I am concerned, it would be a serious mistake to politicize the police because this group will guarantee the rights of all citizens.

[Izaguirre] [Words indistinct]

[Reina] Secretaries of state are secretaries of the executive branch's president, who is elected by the people. The chief of the police should be the government and justice minister. [end recording]

The president said no one should fear the transfer of the police to civilian hands.

[Begin Reina recording] No one should be afraid [words indistinct]. [end recording]

Reina: Hondurans To Decide on Number of Children

PA3108232695 Panama City ACAN in Spanish 2135 GMT 30 Aug 95

[FBIS Translated Text] Tegucigalpa, 30 Aug (ACAN-EFE) — Honduran President Carlos Roberto Reina said today, Wednesday, Hondurans are the only ones who can decide how many children they will have, thus rejecting a U.S. proposal for couples to reduce the number of children they have from an average of five to two.

"Family growth must be the parents' right, and they should be the ones who decide how many children they can bring into the world," the Honduran president said, thus agreeing with the Catholic Church's position on the U.S. pretension.

In a survey delivered to the Honduran Government, AID has stated that the country's population, 5.7 million, would be 14.6 million by 2025 if its current 2.8 percent demographic growth, one of the highest in Latin America, continues.

The increase in population would require more investments for education, health, basic services, housing, and employment generation. According to AID, the easiest way to counter the problem is with birth control.

The Honduran Bishops Conference stated this week "an imperialism so disrespectful of the dignity and sovereignty of a nation is unacceptable from any viewpoint."

For the Honduran president, who said the Catholic Church is "quite right" in rejecting the proposal, demographic problems must not be used as a "political instrument."

Reina also rejected the thesis of the United States and international financial organizations that have stated that poverty, hunger, and crime result from population growth, adding that "extinguishing lives in the mother's womb" is not the right solution.

According to the AID study, by 2025 Honduras will need $161 million for the education sector, where there will be a demand for 19,000 schools to accommodate a school population of 2.3 million children. The housing sector's demand would be 2.1 million units, and the health sector would need $23 million for vaccination programs alone.

The opinion of the Catholic Church is that Honduras needs help to achieve its development rather than to eliminate its population.

The U.S. proposal to reduce the average number of children from five to two has been called "demographic terrorism" by Monsignor Oscar Rodriguez, president of the Latin American Bishops Council and archbishop of Tegucigalpa.

Reina Condemns Murder of Treasury Police Head

PA0309230295 Panama City ACAN in Spanish 1756 GMT 2 Sep 95

[FBIS Translated Text] Tegucigalpa, 2 Sep (ACAN-EFE) — Honduran President Carlos Roberto Reina today condemned the murder of Treasury Police Director Colonel Humberto Coello Hernandez, perpetrated last night in San Pedro Sula, in the northern part of this Central American country.

"It is an act I regret, deplore, and condemn," Reina said in Tegucigalpa, after inaugurating the fifth road safety week before hundreds of students from various schools.

Reina said that soldiers and officers who die while conducting their duties "become heroes of their homeland."

He added that his government is reviewing the current situation in the police and its transfer to civilian power, which the National Congress is already debating.

The Honduran police have been subordinated to the Armed Forces since 1963, when the military violently overthrew President Jose Ramon Villeda Morales.

"The government is committed to guaranteeing the security of all Hondurans, but first we must reconcile society," Reina said, adding that the country needs a police institution that is "exemplary, professional, apolitical, and dedicated to its noble objectives."

Col. Coello Hernandez was killed in San Pedro Sula, the most violent city in Honduras where, according to official sources, there are only some 60 policemen providing security to a population of almost 500,000 persons.

In Honduras, a country of 5.7 million inhabitants, the police have less than 5,000 agents. Most of them have received no professional training, have very limited technical and logistical resources, and earn a monthly salary of 650 lempiras (approximately $68).

President Reina said more violent actions occur in neighboring countries. He added that the same thing occurs in the United States, Spain, or France, where "sick people" commit "horrifying terrorist acts." He said that he mentioned this "not as consolation, but as a reality."

Reina asked that things that happen in Honduras not be magnified, because "the truth can be distorted." He stressed that the measures to stop violence should include, among other things, reinforcing democratic values in order to strengthen the country, and assigning a large part of the budget to the social sector.

Foreign Minister: U.S. Policy 'Contradictory'

PA0409015995 San Pedro Sula TIEMPO in Spanish 1 Sep 95 p 2

[FBIS Translated Text] Foreign Minister Delmer Urbizo Panting yesterday questioned U.S. "paradoxical and contradictory" policy, because, he said, while that country is trying to impose quotas on Honduran assembly plants, it proclaims free trade by the year 2005.

According to Urbizo Panting, bilateral negotiations on the possible imposition of quotas on assembly plant exports still continue through the Economy Ministry and Honduran Ambassador to Washington Roberto Flores Bermudez.

He added that the U.S. dichotomy is obvious because while it supported the free trade initiative for the year 2005 at the Summit of the Americas, he asked why there should be attempts to impose quotas on us when the world is moving toward free trade.

This is contradictory and paradoxical, because we are regulated by the WTO, which penalizes unilateral actions, he said.

"On one hand, the United States is against the quotas imposed by the EEC (to bananas), and on the other, it is assigning us quotas," he stressed.

Urbizo Panting also noted that one of the reasons the United States is trying to impose quotas is because of El Salvador's "negative service" to Honduras. "When quotas were being imposed on them (the Salvadorans), they asked why Honduras had not had quotas imposed on it as well."

Urbizo Panting recalled that while he was economy minister, a campaign was initiated in the United States to eliminate the assembly plants in Honduras, which union leaders and human rights organizations "innocently" supported.

That created an adverse climate for the assembly plants in our country, and although the workers subsequently recognized their mistake and signed a letter addressed to U.S. President Bill Clinton, the damage was already done, he said.

Urbizo Panting criticized the apathy with which private enterprise in general has treated the problem, abandoning the assembly plant sector and the government in the negotiations.

"The private sector in general should have supported the assembly plant industry and should have provided sufficient funds to contract lobbying firms in the United States to defend the quotas," Urbizo Panting said. [sentence as published]

The chambers of commerce and the Honduran Council for Private Enterprise (COHEP) should mobilize at this time to support the negotiations currently taking place in Washington," he stressed.

Minister: Efforts Against U.S. Quotas Retained

PA0209183295 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 1 Sep 95

[From the "Morning Paper" newscast]

[FBIS Translated Text] Honduran Foreign Minister Delmer Urbizo Panting has said that the government is maintaining its efforts to prevent U.S. companies from imposing quotas on exports manufactured in the country's industrial zones.

Nicaragua

Army Chief Views San Andres, DEA, Armed Groups

PA0109150795 Managua Canal Cuatro Television in Spanish 0400 GMT 31 Aug 95

["Exclusive" interview with General Joaquin Cuadra Lacayo, Nicaraguan Army commander in chief, by unidentified reporters; place, date not given; from the "Extravision" newscast — live or recorded]

[FBIS Translated Text] [First reporter] Media reports have stated that the Colombian Government has deployed frigates, planes, and soldiers to San Andres to reaffirm what they have indicated on their map. First, do you think that Nicaragua has the capability to deploy military forces, and, second, do you think this should be done?

[Cuadra] Well, obviously everybody knows about the limitations our country has with regard to naval forces. We have just started a process of strengthening the naval forces with a view to, in addition to fighting drug trafficking, having control over territorial waters and exercising our sovereignty in a more systematic fashion.

The important thing is not to state whether we have the means or not; the important thing is to have the resolve and determination to defend this section of the national territory.

If, in the past, we were willing and able to organize and defend ourselves from a larger aggression by a powerful nation, we have more reasons, in this case, to do the same. We are fully determined, if the situation arises and if we resort to this last measure — and I hope this will not happen — to lead the fight for our territorial integrity, whether we do it in dugout canoes, cayucos, or larger boats, if we are able to get them. In short, we will defend ourselves by any means, by any means.

If we resort to this extreme — and I hope we do not — this is why I was telling you that we have confidence, and we support the steps the Foreign Affairs Ministry and the government are taking to deal with this situation in court in a civilized fashion, as all conflicts must be dealt with, not in the battlefield. I repeat: before a court.

[First reporter] How does the Army see the presence of the DEA in our country, and does the Army believe that the DEA could really help Nicaragua become a base to fight international drug trafficking?

[Cuadra] We see the presence of the DEA in our country as being positive, as something that will help Nicaraguans fight against drug trafficking, which is an international problem. Drug trafficking operates through an international network. It is not a problem concerning only Nicaraguans; it concerns Costa Ricans, Salvadorans, and Americans. It is a common problem. The presence of the DEA helps us as a country and as a force that is fighting against drug trafficking. It particularly helps the National Police, which has a major responsibility in this regard. The DEA undoubtedly is helping it become a part of an international system to fight drug trafficking, which is quite powerful.

[Second reporter] General, with regard to the situation in northern Nicaragua, people are talking about an armed outbreak. The other day they were talking about several hundred men who are armed again in northern Nicaragua due to the government's noncompliance and to several other reasons. Again, there is much talk about armed men. What is the Army doing and what will it do?

[Cuadra] We are talking about the fact that approximately 300 armed men are operating in many small and scattered organizations. I repeat: 300 armed men. Indeed, we have that information, and we have detected, in some way, a small trend of men arming themselves. Some of them are arming themselves to protest the government's noncompliance in order to get certain benefits from the government. They are saying in their explanations that since elections are about to be held, the government cannot allow armed men to criticize and make social demands. Therefore, it is a good time to arm themselves, because the government is going to give them everything it has failed to give them in the past. Indeed, we have detected certain groups. At the end, however, this will obviously become a repudiable and truly unlawful situation. It is like a shady business, is it not? It is something that we will not allow under any circumstances. We will strongly fight against this situation.

As we have said, the negotiations with these groups have ended; political negotiations have ended. Whoever bears arms in this country alleging that he is supporting a cause or protesting noncompliance by the government will have to be strongly attacked and defeated, until he surrenders his weapon in exchange for nothing.

Borge Explains FSLN Economic Proposal

PA0409033395 Managua BARRICADA in Spanish 1 Sep 95 pp 1, 11

[Report by Xavier Rayo Valle]

[FBIS Translated Text] According to Commander Tomas Borge, the Sandinist National Liberation Front [FSLN] has proposed a government of producers to save the country and give people food, housing, recreation, health, education, trade, and services, without excluding any economic agent.

He presented this proposal at the forum Preliminary Economic Plans by the Country's Main Political Forces, which the Conapro [National Confederation of Professional Associations] organized. The FSLN and the National Project attended the forum. Arnoldo Aleman, of the Liberal Constitutionalist Party, shied away from the debate.

"The FSLN is drafting a plan to mobilize all resources and economic agents available in order to rehabilitate, reactive, reconvert, and develop our society's productive base," Borge said.

We have to draft a broad social front, the axis of which will lie upon the productive sectors, not in the sector restricted to privileged economic groups unified in commercial and financial mediation and making monopolistic profits, he added.

Borge described as a moral obligation and an economic demand the rehabilitation of the poor by giving them access to resources and by guaranteeing health and education. This could be done not only by limiting poverty, but by investing in human resources.

The FSLN decided to resolve the property problem once and for all by issuing land, lots, and housing titles; indemnifying former owners, while adhering to Laws 85, 86, and 88; issuing titles for workers' companies; and considering the abuses.

To Halt Social Disintegration

The immediate objective of the economic proposal is to halt the economic disintegration through a selective process of reactivating, rehabilitating, and recovering the productive base and offering a minimum support to society.

Borge explained the gradual, selective, and orderly recovery of the fair, participative, and environmentally sound development, which could be done by prioritizing the potential of small- and mid-scale producers and the new economic agents, without excluding any sector from the reactivation.

The commander pointed out that the FSLN is proposing an economic democratization that will preserve the state banks in order to foment development and the design of technical aid programs covering small- and mid—scale producers, as well as the new economic agents.

The leader recommended to put into action the exporting and the reactivated domestic consumption potentials by using and improving the exiting capacities with the use of selection production programs by sector and geographical region.

Borge stressed that the FSLN proposal does not overlook the domestic market, stimulated by the reactivation of production, because the proposal contemplates increasing the number of jobs and the amount of income that will make the demand for simple goods increase.

To achieve this, the FSLN is planning to redefine the public investment program by strengthening the infrastructure and subjecting it to growth with security and feeding self-sufficiency, thus offering the productive development opportunities in the large peasant sector.

Commerce and Services Must Be Reactivated

In the near future, basic reactivation would intensify industrial activities and the replacement of imports by simple products, exploring the industrial reconversion and the strategy of industrializing the agriculture and natural resources, creating integrated productive chains.

That would favor an overall recovery of the economy, reactivating small businesses and services and their multiple links, transportation, wholesale and retail businesses, increasing the demand, he added.

He said that the FSLN proposal not only tries to obtain useful levels of the productive factors, but to detect the accumulated deterioration and physical and technological backwardness of the productive infrastructure and the physical inventory, in order to make the country competitive.

Reducing the Foreign Debt

Borge said the defense and security budget is very limited, and that the institutions are facing serious problems in complying with their functions. He added that they must guarantee national and citizens' security, in view of the increase in crime, lack of security in rural areas, and piracy, and must protect our territorial waters.

He said that the FSLN wants to significantly reduce the foreign debt and effectively use the limited resources with the active participation of the population in vaccination drives, education for adults, and self-construction of houses.

He also proposed a tax reform that will reduce the current regressive system and strengthen direct contribution, encouraging investment with incentives and exemptions for private productive investments, implementing programs of fiscal incentives for exports.

He proposed increasing exports through a real and stable exchange rate, overcoming the over-valuation of the cordoba with a policy of gradual, active, and selective opening, protecting the internal market under conditions that are consonant with the reactivation of production.

In the same manner, he proposed promoting foreign investments to obtain additional capital for technological transfer and taking advantage of foreign commercial and financial ties.

The FSLN proposed a policy of minimum wage and a family basket with new articles at lower prices, while at the same time increasing productivity through team work and concerted actions by the workers, reducing costs.

The FSLN also proposed persuading the international community to redefine foreign cooperation giving priority to production, investing in infrastructure and services, as well as in human resources.

In conclusion, Borge said that the FSLN proposal is "sensible, well-thought, realistic, patriotic; includes workers in the countryside and the city, businessmen, merchants, youths, women, and men, who today are tied down to unemployment, backwardness, and still waiting for an authentic reconciliation and certainty."

Panama

Foreign Minister Denies Plans To Resign

PA0409145795 Panama City LA ESTRELLA DE PANAMA in Spanish 2 Sep 95 p A1

["Press Statement" issued by Panamanian Foreign Minister Gabriel Lewis Galindo in Panama City on 1 September]

[FBIS Translated Text] In view of the position adopted by the Solidarity Party, to which I belong, with regard to the election of the leaders of the Legislative Assembly, a position I believe is based on clear ethical principles, I have received numerous calls asking about my alleged resignation as foreign minister, a post I am honored to hold.

In this regard, I want to clearly state that I fully share with Ernesto Perez Balladares his programs, principles, and objectives. Therefore, I deny as groundless the reports about my resignation from the post I hold, a post that is permanently at the disposal of the president.

The close friendship that links me with the president of the Republic, as well as the total identification with his government plan, especially the task of fighting unemployment through the promotion of foreign investments in our country, require that we depoliticize our actions. In this way, we can resolutely work for the success of the working tour that I will undertake with the president in the next few days.

[Dated] Panama City, 1 September 1995

[Signed] Foreign Minister Gabriel Lewis Galindo

Foreign Minister Discusses U.S. Military Bases

PA0209235195 Panama City EL SIGLO in Spanish 2 Sep 95 p 8

[Report by Diamar Aparicio — all quotation marks as published]

[FBIS Translated Text] Foreign Minister Gabriel Lewis Galindo reiterated yesterday that the United States will not negotiate an extension of the military bases simply because Panama "wants" to, but that it will depend more on their "geopolitical" interests and to date everything would seem to indicate that such a request is not included among their plans.

Lewis Galindo stated that "the United States is not here at our request. Their actions are in accordance with geopolitical interests and strategic plans. Therefore they will decide whether or not they will request an extension regarding the military bases."

"My personal opinion is that geopolitics has changed so much so that the United States is cutting back its military bases throughout the world," the foreign minister stipulated.

He pointed out that to date, all the decisions being adopted by Panama as well as by the United States are in accordance to what is stipulated in the Torrijos-Carter treaties.

Today, high-ranking U.S. Southern Command officers are preparing to transfer the Forts Davis and Espinar military bases located in the province of Colon to the Panamanian president. These military bases consist of a total of 1,790 hectares, and more than 700 housing units.

According to the foreign minister, one of the bases will be used for housing purposes, while the other will be used for commercial, industrial, and tourism ventures. Both bases, the minister stipulated, will be subject to careful maintenance so that the real estate can be used to benefit the entire country.

On the other hand, with respect to President Ernesto Perez Balladares and his delegation's trip to the United States and Asia, Lewis Galindo announced that issues to be discussed with President Bill Clinton include the canal transition process, the struggle against drug trafficking, money laundering, and commercial ties between both nations.

As relates to the trip to Taiwan, Lewis Galindo indicated that "we are going to wrap up pending agreements in order to ensure that by the beginning of next year, at the latest, Panama will be able to put its development plans for the reverted areas into practice."

We will try to encourage Asian investors to look toward Panama and therefore promote sufficient jobs so that Panamanians will be able to earn a living, the minister stipulated.

With respect to whether or not special concessions are being granted to Asian investors, he pointed out that "we are not extending any special concessions, but only promoting our advantages in the Orient since, at this time, this is the area of the world with more drive and capability to create the jobs we require."

Therefore, he added, if Europe and the United States are interested in investing in this country, they will receive the same concessions as the Asian countries.

Paper: Panama Cannot Adequately Defend Canal

PA0309185195 Panama City LA ESTRELLA DE PANAMA in Spanish 3 Sep 95 p A1

[Untitled editorial]

[FBIS Translated Text] No one should be surprised that various U.S. Government departments hold differing views as to the value of keeping a number of military bases in Panama after the year 2000. Such diverging views between the State Department, the Pentagon, and other agencies with some degree of decisionmaking power are nothing new. On the one hand, it seems logical that, in view of the U.S. economic situation and the astronomical level of public debt, someone would exert pressure to eliminate from the budget the expenditure of keeping these bases. On the other hand, the possibility of Washington's evasiveness constituting a calculated strategy to sound off Panama's position on this subject cannot be ruled out entirely.

Taking for granted and accepting as definite that the Canal will continue to operate normally, with regard to the proper maintenance of its facilities and the passage of ships, in exclusively Panamanian hands after the year 2000, Washington circles cannot possibly ignore that Panama will not be in a position to adequately defend the Canal from the not-at-all imaginary dangers that could threaten it.

For lack of money, at present we lack and will continue to lack in the near future a public force large enough and sufficiently equipped and trained to adequately protect our land borders and patrol our extensive territorial waters and airspace. For the same reason, we will not be able to protect the ships transiting the Canal from the potential threat of international terrorism and organized mafias. This is a distinct possibility which no one can ignore.

Paper: Panama Must Decide on Options for Bases

PA0309184795 Panama City MAGAZINE DOMINICAL EL SIGLO in Spanish 3 Sep 95 p 2

[Untitled editorial]

[FBIS Translated Text] In a historic event that took place yesterday on the Atlantic side of the country, Panama formally received the Southern Command installations in Fort Davis and Fort Espinar. The ceremony, while marking the withdrawal of the soldiers stationed there, was also filled with nationalistic emotions.

The issue of the fulfillment of the Canal Treaties has allowed Panamanians to begin a serious study regarding the importance of deciding our future options, including the possibility of negotiating a new treaty with regard to a number of military bases.

Moreover, regardless of the fact that some individuals only want to see the importance of that event within the limits of their particular interests, there is no doubt that new times are coming for the Panamanian people, as long as the administration and the rest of society are involved in the development of various possibilities for these reverted areas.

I understand that this is exactly what the national government is doing. Recent statements by our authorities are proof of this. Without closing the door, they have said — with regard to any interest in renegotiating the stay of these bases — that the first step must be taken by the United States.

Any future talks must be based on the Torrijos-Carter treaties, in which the inalienability of our sovereignty and the definitive reversion of the Canal Zone territory is made clear.

In recent months, a number of options have been shuffled about regarding the future of the military bases. Now, it is in the hands of our government leaders to make a wise decision to work out a good future for the assets that have reverted and will be reverted to Panama.

LA PRENSA Newspaper Joins Internet

PA0109165095 Panama City LA PRENSA in Spanish 1 Sep 95 p 2

[Article by Jose Quintero De Leon]

[FBIS Translated Text] Residents of states of the United States and major world cities yesterday had the opportunity to have a closer look at news in Panama thanks to LA PRENSA and its link to Internet.

Hector Montemayor, rector of the Technological University of Panama (UTP), announced yesterday that LA PRENSA became the first Panamanian newspaper to join Internet.

Internet is the world's most powerful information network, joined by millions of computers to share information and resources. It will be available to everyone soon.

Montemayor said that Internet is a resource that allows the country, through the UTP, to access international information. We do not only have access to information, but "we also can send it through Internet to the entire world," he added.

"On this occasion we linked LA PRENSA, which is now available to the entire world today via Internet," Montemayor noted. He showed all the headlines carried in the 31 August edition and the texts that appeared under them.

The rector pointed out that this resource is available not only to LA PRENSA, but to the entire country, to all companies wishing to showcase their products throughout the world.

Montemayor said: "Moreover, the country may now feature its full potential to attract foreign investment." He added that the potential of Panama's reverted areas will be shown internationally.

As for how Internet works, he explained that a node has been installed in each country, and in Panama's case, the main node has been at the UTP since 1994.

He added that there are currently talks with INTEL, S.A. [National Institute of Telecommunications] on ways that Internet may be marketed.

After LA PRENSA, the rector said, other companies will also be linked, and thus, a commission was established to assist businessmen in joining Internet and maintaining electronic mail through UTP.

UTP regional centers in Changuinola, Chiriqui, Veraguas, Azuero, Cocle, La Chorrera, and Colon, as well as other universities, currently have access to Internet.

Montemayor thinks that once the system is available to everyone, the monthly fee will be $30 per month for 30 hours worth of calls for private individuals, while the cost for companies will be much higher.

Bolivia

New Defense Minister Seeks 'Modernization' of Armed Forces

PY0209032395 La Paz Radio Cadena Nacional Network in Spanish 2300 GMT 1 Sep 95

[FBIS Translated Text] Jorge Otacevic Toledo, the new defense minister, said today that the Armed Forces must enter a modernization process to meet the challenges posed by the coming century, based on development projects and the training of human resources.

During the installation ceremony, the new defense minister, who replaced former Defense Minister Raul Tovar Pierola, made a brief speech.

The new defense minister said these projects must be drawn up to assist in our country's development and fulfill the goals to move up the transformation programs that are being implemented not only in our country, but around the world.

After delivering his post, Raul Tovar Pierola announced that he would resume his duties in the Chamber of Deputies, where he will continue to serve our country.

UCS Leader Outlines Party's Position Toward Administration

PY0109175695 La Paz LA RAZON in Spanish 9 Aug 95 p A15

[FBIS Translated Text] Sucre, 8 Aug — Max Fernandez, top leader of the Solidarity Civic Union [UCS] has stated that he and his party are not part of the Gonzalo Sanchez de Lozada administration; they merely support the administration whenever it wants to do something positive that will benefit the country.

Some time ago Fernandez advocated his party's withdrawal from the "Governability Pact," claiming disagreements with the MNR [Nationalist Revolutionary Movement]. He recently returned to the fold after signing a "Governability Agreement." Upon arriving in Sucre, Fernandez confirmed his earlier statements to the press.

"Right now I am not part of the administration. I am just cooperating with the administration, and the USC congressional bloc is helping and supporting the administration's positive actions. We will definitely oppose any improper action," Fernandez emphasized. He recalled that UCS deputies openly opposed the administration's attempt "to saddle us with a candidate for president of the Chamber of Deputies without first asking us about him. We have made it clear that we are not just a bunch of bums who will put up with anything that the executive branch may want to dish out."

Fernandez added: "There is a lot to be done and there are many things the country should know about. The people are shown one side of the coin, but there is another side to it as well, and that is usually the truth."

Fernandez said that the administration's "Plan for All" has not been successful. According to him, the Law on Popular Participation did play a significant role, but currently the executive is using it to give the MNR control over municipal administrations.

"The Plan for All is not a success. Popular participation, on the other hand, is a good thing because it is helping municipal administrations to implement large and small regional projects," Fernandez said. He refuted the minister of government's and the senate president's remarks to the effect that he is not aware of what the executive branch is doing.

"They (the administration) are always trying to refute whatever I say. The journalists know very well that I am a very responsible person who does not say things lightly, nor do I react emotionally. I am a serious and calm person, and I never utter wild remarks," Fernandez said.

Brazil

Executive Branch Submits 1996 Budget Bill to Congress

PY0109190695 Sao Paulo AGENCIA ESTADO in Portuguese 2332 GMT 31 Aug 95

[By Odail Figueiredo]

[FBIS Translated Text] Brasilia, 31 Aug (AE) — The government expects the economy to grow by four percent in 1996, after growing by five percent in 1995. These estimates are included in a message that President Fernando Henrique Cardoso today submitted to Congress along with the 1996 Budget Bill. In his message, Cardoso emphasizes that extension of the validity of the Social Emergency Fund (FSE), which has already been proposed to Congress, is essential for the government to balance its accounts and progressively reduce interest rates.

The total budget amounts to 312.8 billion reals [R], including the rescheduling of the public debt, which reflects only the exchange of overdue securities for new issues. In 1996, current revenues (taxes, contributions and other types of income), which account for cash income for the treasury, will stand at R165.6 billion. This figure also takes into account the higher revenues that the government will obtain with the proposed income tax changes, and with the creation of the

Financial Movement Contribution, destined to cover health expenses.

Payroll and social security expenses will grow. Payroll expenses, estimated at R41.3 billion, will grow by R9 billion with respect to this year's budget. Social security expenses will grow by R11 billion, reaching R44.3 billion. In the 1996 budget, the interest on the debt is estimated at R22.3 billion.

In the distribution of revenues, the Social Securty Ministry has the larger portion, with R49.2 billion. The Health Ministry comes second, with R20 billion. The budget also includes a program of state-run company investments for 1996. According to the estimates, the government intends to invest R12.8 billion in 1996, most of which will involve enterprises of the Mines and Energy Ministry (R5.4 billion) and the Communications Ministry (R5.7 billion).

Government Sends Corporate Tax Bill to Congress

PY0209020395 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 1 Sep 95

[Report by Claudia Moreira in Brasilia]

[FBIS Translated Text] The Brazilian Congress has already received the administration's corporate income tax proposal, which contains a few last-minute changes. The bill stipulates that the following income tax rates will apply to earnings by foreign investors in Brazilian stock markets: 5 percent in 1996; 10 percent in 1997; and 15 percent in 1998.

The additional income tax rate — which will be applicable to companies having an annual profit exceeding 240,000 reals [R] — has been reduced from 15 to 10 percent. The minimum amount to be taken into account to tax companies on the basis of their presumed profit has been raised to R12 million.

Federal Revenue Secretary Everardo Maciel outlines the reasons that prompted these proposed changes:

[Begin Maciel recording] These changes are designed to achieve several goals, including that of simplifying the income tax, of standardizing the treatment accorded to foreign and domestic capital, of removing the relative advantages given today to lending capital compared to risk capital. In sum, the objective is to harmonize, to consolidate, and to simplify income tax laws. [end recording]

The corporate income tax proposal was received yesterday at the Brazilian Congress.

Minister Reports Multinational Company Investment Plans

PY0109155895 Sao Paulo AGENCIA ESTADO in Portuguese 1957 GMT 31 Aug 95

[By Riomar Trindade]

[FBIS Translated Text] Brasilia, 31 Aug (AE) — Dorothea Werneck, industry, commerce and tourism minister, today announced that among the 100 largest multinational companies operating in Brazil, 69 intend to invest $27 billion between 1995 and 1999. This information is based on direct ministry consultations with the enterprises, which also revealed that the amount of fresh funds — dollars entering the country for fixed investment — will only total $4.675 billion, that is, 17.4 percent of the total investment that is planned for this period. This figure represents fresh funds income of less than 1 billion reals [R] per year. Some of those investments are already being made, while others are scheduled and still others only reflect an intention to make an investment.

In the opinion of the minister, the reactivation of multinational company investment is a consequence of the stabilization of the economy, with a low inflation rate. The minister also mentioned the opening to foreign capital of sectors that were under a state monopoly — like the petroleum and telecommunications sectors, the latter to be opened through concession laws — the expansion of the Brazilian market through Mercosur [Comon Market of the South], and the government efforts to reduce the so-called Brazil cost through the reformulation of port, transport, telecommunications, and electric power prices.

Werneck also mentioned the improved competitiveness of Brazilian industry as a factor for attracting foreign capital. She said that in 1992, only 32 Brazilian enterprises had the ISO 9000 quality certification. This figure grew to 669 on 6 July 1995, reaching 710 on 7 August. "This accounts for an average of two certifications per work day during that period," she added.

On a chart reporting investment intentions of multinational companies shown by the minister, the largest quantity was concentrated in the automotive sector, with a total of $10.67 billion. Yet fresh funds will amount to only $1.066 billion. The pharmaceutical and chemical sectors intend to invest, from 1995 to 1999, a total of $3.727 billion ($500 million of fresh funds), while the iron and steel sector intends to invest $3.734 billion ($1.355 billion of fresh money). The electrical and electronic sector, including informatics and imagery, is planning investments worth $2.5 billion, with fresh funds worth $1.314 billion.

Five multinational companies of the car parts sector — Santa Marina, Clask, ZF, BRW, and Bosch — are planning $855 million in investments for the five-year period. Yet the minister said that the sector, as a whole, will invest $10 billion up until 1999. She added that, based on figures from Sindipecas (Auto Parts Industry Association) for the past 12 months, the sector created 14,000 jobs since the beginning of the Real Plan, and recent dismissals affected 4,000 employees. "There is still a balance of 10,000 jobs," Werneck said.

In the opinion of the minister, car parts enterprises are moving their facilities — which would partly account for the dismissals — going to the interior of Sao Paulo and southern Minas Gerais. The sector, which has "enormously obsolete technology," is also undergoing a deep restructuring process, the minister said. An example of obsolete technology is carburator manufacturers, a product that lost the market to the electronic fuel injection system of automobiles.

Werneck recalled that the car parts sector production last year reached R14 billion, but its exports amounted to only R3 billion. From a group of 500 enterprises of the sector, only 80 are exporting their production. The minister believes that in order to rapidly overcome technological backwardness, the sector needs to form joint ventures with foreign capital, something that will facilitate the transfer of technology.

Report Views Monetary Reserve Investment

PY3008195395 Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Aug 95 Business and Finance Section p 3

[From the "Economic Report" column by Miriam Lage: "The Investment of Reserves"]

[FBIS Translated Text] The government has already invested in the financial market more than half of the Brazilian monetary reserves, which had been deposited at the BIS — Bank of International Settlements — the central bank of central banks, headquartered in Basel. This information has been released by Gustavo Franco, director of the Foreign Department of the Central Bank [BC], who said: "We are extremely conservative regarding those new investments, but we are looking for better remuneration for the Brazilian monetary reserves." Even though Franco did not confirm it, another Central Bank director has estimated that approximately 25 percent of the reserves — that is, about $10 billion — has been invested in places other than the BIS.

There are more than 200 international banks on the list of reserve investments, for which the risks have been evaluated by the enterprises with the top rating in the world, like the U.S. Moody's and Standard and Poors firms. Says Franco: "We are investing only in enterprises with AA rating or above. We buy their CDB's [bank deposit certificates], while diversification seeks to reduce any chance of risks as much as possible." To be rated AA — second only to the AAA rating — an enterprise must have high capitalization and excellent credit risk, like, for example, the Swiss Bank, the Union des Banques Suisses, and Morgan. "In addition to meeting the requirements concerning risk, we prefer the banks that are doing more business with Brazil," the BC director said.

In addition to investments in the banking system, Franco reported that the reserves that were withdrawn from the BIS are also being invested in bonds of countries with the same risk rating as the banks. The BC director clarified information released by our column to the effect that Brazilian foreign debt certificates are being purchased through the BB Securities company. "For the time being, this type of deal remains forbidden by the debt agreement," he explained.

By reducing the deposits at the BIS, Brazil obtains higher remuneration for its reserves, because the BIS corrects deposits by a rate that is slightly lower than the libor [London Interbank Offered Rate] rate, which is the British interest rate. Franco said that the correction rate of the other intvestments is higher, "a bit higher," but he reported no figures. Yet one can imagine that the difference will be in the area of one to 1.5 percent above the remuneration paid by the BIS.

Chile

Minister Evaluates Performance of Economy

PY0209001895 Santiago EL MERCURIO in Spanish 30 Aug 95 pp A1, A12

[FBIS Translated Excerpt] Finance Minister Eduardo Aninat on 29 August made a positive evaluation of the progress that Chile has made toward attainment of the social and economic targets that the government established last year for the purpose of promoting development and overcoming poverty at the end of this century.

Among the main achievements of the current administration, the minister emphasized that the Gross Domestic Product's [GDP] sustained growth (6.5 to 7 percent for 1995) will make it possible for the government to surpass — before 2000 — the $4,700 per capita income target. In fact, according to estimates, the per capita GDP is expected to reach $4,548 in 1995.

Aninat also announced that the inflation rate will not surpass 8 percent this year, below the 8.9 percent rate registered last year; that with the creation of 60,000 new jobs, unemployment will run at approximately 5.4 percent; and that exports will reach $15 billion, with a $1.6-billion trade balance surplus, consistent with the target of exporting $20 billion in 2000.

Aninat, who was accompanied by Finance Under Secretary Manuel Marian and Budget Director Jose Pablo Arellano, reviewed he essential factors of the progress made in the socioeconomic area, factors that he himself on 29 August 1994 described as priorities for the 1994-2000 period.

Higher Social Expenses

Referring to what he called "model of growth with equality, phase two," Aninat emphasized that all those achievements and improved indexes will be significant only if the more vulnerable sectors of society manage to enjoy the benefits of this development model.

For such reason, he announced that the government is planning to make a new effort to increase social spending, which already runs at 70 percent of the national budget, because the government does not believe market forces will permit the elimination of poverty by themselves.

Among the factors in which there are still setbacks, the minister mentioned employment, which has however grown with the 33,210 new jobs created so far this year (more than 60,000 new jobs are expected to be created in 1995). Aninat admitted that the growth rate is lower than expected, especially because some sectors are lagging behind, like the construction sector, in which recovery has run more slowly after an adjustment period in 1994.

Populist Failures

He added that the distribution of income in Chile is not yet equitable, and that time is necessary in order to make progress in this area, because there are no magic formulas. He said that the populist attempts that were made in this regard have ended in total failure. He noted that the right path calls for increasing productivity, and promoting education and training.

As for the criticism from entrepreneurs, especially about public spending and some tax increases, Aninat said that the government and its ministers have an agenda and a mandate with which to comply. He added that the targets cannot be abandoned because a specific sector — either entrepreneurs or union leaders — dislikes some specific point in them.

Concerning public spending, he said that it grew by 5.8 percent with respect to the same period in 1994, noting that this growth is compatible with social and infrastructure achievements, and also with the inflation rate targets.

He said the state accounts for 20 percent of the GDP, and that for this reason the state cannot be said to be oppressive or that the tax burden is too high.

Aninat added that in some issues, like the taxes that finance the increased pensions, there was an overreaction that claimed that the government has made a new tax reform. He urged entrepreneurs to avoid attaching ideological value to the topics, because if they are doing well and if the country is calm, it is necessary to continue working, instead of stopping because of "sensitiveness that is sometimes very exaggerated."

He announced that in September, the president will evaluate a bill for readjustment of the budget for the Armed Forces, Carabineros, and the Investigative Police. The bill will be submitted to Congress early in October. [passage omitted]

Five Priorities

Concerning the five priorities: socioeconomic, education and training, infrastructure, internationalization of the economy, and modernization of the state, Minister Aninat said that 37 economic indicators were taken into account. He said the indicators reflect the progress estimated for December 1995.

Among the most important priorities, in the socioeconomic sector, he emphasized that the GDP will grow by 6.5 percent, surpassing the 4.2-percent growth rate of 1994. These figures reflect a GDP growth over 5.8 percent, which is the necessary annual growth for reaching the $4,700 per capita income target in 2000. He said the per capita income could reach $4,900 in 2000.

Concerning inflation, he said it will drop to 8 percent, below the 8.9 percent rate of 1994, despite the increase registered in August.

As for employment, he said the rate is lower than expected, despite the 33,000 to 35,000 new jobs that have been created so far in 1995.

He added that in 1995, unemployment will run at approximately 5.4 percent, below the 6 percent rate of 1994.

He predicted that with growth rates between 6.5 and 7 percent, the number of new jobs in 1995 can more than double the number of new jobs in 1994.

Minister Aninat underscored the fact that salaries will increase by 4 percent in real terms in 1995, a reasonable growth rate which is in keeping with the upward trend of productivity.

He emphasized that increased productivity continues to be a challenge even though productivity will have grown by 4.5 or 5 percent by the end of 1995, well above 3.5 percent which is the estimated yearly average for the five-year period between 1995 and 2000.

Aninat reported that private and public long-term investments in Chile have grown by almost 27 percent this year so far, which means that the 28 percent yearly growth target established for the current decade will be easily surpassed in 1995.

The minister said that exports have increased significantly to the point that Chile is expected to have a $1.6 billion trade surplus by the end of the year. This represents a nominal growth of 31 percent.

Aninat stated that in 1994 the balance of payments current account had a deficit of $753.2 million. This year it is expected to show a surplus of $500 million.

Social expenditures and investments absorb 70 percent of public spending and have been growing at the rate of 8.4 percent per year.

The minister reported that the administration's second highest priority is education and training. In this area the administration is making an earnest effort. Public spending on these items has increased by 12 percent in 1994 and 1995 and stands at 3 percent of the GDP.

It is expected that private and public investments in education and training will reach 4.9 percent of the GDP by the end of 1995, and the idea is to increase it to 7.8 percent of the GDP within eight years. [passage omitted]

According to the minister disbursed foreign investments are particularly noteworthy: By June 1995 foreign investments totalled $2.147 billion which means that they will most probably surpass the 1994 figure.

The administration's fifth highest priority is the modernization of the state. Aninat reported that concrete actions in this direction have been taken: 43 public service organizations were involved in projects aimed at improving their management. He added that in 1996 goals that have to do with management-enhancement will be set for 62 such organizations.

The minister hailed the fact that expenditures on training of public servants has grown by 19.3 percent. He added that five bills aimed at the modernization of public administration have been drafted.

Aninat also focused on progress achieved in the struggle against poverty through focal actions and the implementation of measures that President Eduardo Frei outlined in his address to the nation on 21 May 1995.

He explained that this challenge calls for swift and more decisive actions to defeat poverty because not enough has been done in this direction and joint public and private efforts could yield better results.

In any case, the minister pointed out that 140,000 low-income students have been granted family allowances, that 70,000 unemployed youths have been given professional training, that 590,000 pensioners received a winter bonus, and that 1.1 million pensions of less than 100,000 pesos were increased.

Aninat said that these efforts have been noticed by certain international organizations like the United Nations Development Program, PNUD, which has changed Chile's ranking in human development from 38 to 33.

Aninat concluded that "although we are not content with these results, they give us some peace of mind because we see progress toward the fulfillment of the goals that President Frei has announced."

Business Confederation Appoints NAFTA Coordinator

PY0109155695 Santiago LA TERCERA DE LA HORA in Spanish 2 Aug 95 p 20

[FBIS Translated Text] The Production and Trade Confederation [CPC] has appointed marketing engineer Andres Concha Rodriguez as its coordinator general for negotiations aimed at realizing Chile's entrance into the NAFTA. Concha Rodriguez was also appointed executive director of the CPC committee that is handling this subject. He has taken over from Fernando Aguero, who resigned last week.

Concha Rodriguez was the deputy coordinator of this private organization which is why he attended the first round of technical negotiations in Mexico.

Carabineros Chief Opposes Changes in Military Law

*PY0209032595 Santiago Universidad Catolica Television Internacional in Spanish
0100 GMT 2 Sep 95*

[FBIS Translated Text] Defense Minister Edmundo Perez Yoma confirmed today that the Armed Forces have a different opinion of the government position on the juridical statute of the Armed Forces. Today Minister Perez Yoma met with Carabineros Commander General Rodolfo Stange.

[Begin recording] [Unidentified reporter] Minister Perez Yoma confirmed today that General Rodolfo Stange also conveyed to him his opposition to changes in the organizational law of the Armed Forces.

[Perez Yoma] They have a different opinion of the government position on this issue but there is a great spirit for finding an adequate solution.

[Reporter] The government hopes that an agreement will be reached in Congress, despite the initial rejection, on the presidential proposal on human rights, constitutional reform, and juridical statute of the Armed Forces. [end recording]

Socialist Party President Advocates Human Rights Bill

PY0109220195 Santiago LA EPOCA in Spanish 31 Aug 95 p 11

[Report by R.M. from Santiago]

[FBIS Translated Text] Socialist Party, PS, President Camilo Escalona met with Interior Minister Carlos Figueroa on 29 August and reported on 30 August that the administration is prepared to establish channels so that "concerns" about its bill on human rights trials can be conveyed to it. Escalona met with Figueroa in La Moneda Palace and reported that during this meeting, they agreed to strengthen the mechanisms that will enhance the cohesion of the ruling coalition.

Escalona said that the interior minister was not worried about the opinions of lawyer Pamela Pereira, a member of the Socialist Central Committee and legal adviser of the Association of Relatives of Arrested-Missing Persons. According to Escalona the minister suggested that these opinions be conveyed to the administration.

Pereira had objected to the clause dealing with definitive dismissal of human rights cases. According to this clause, a case may be dismissed whenever it is concluded that the missing person has died but the whereabouts of the remains cannot be established. She felt that this clause should be eliminated, and that cases should not be dismissed until the remains of the missing persons in question are located.

Escalona explained that the ministries of justice and interior will channel "concerns" to the administration. The ministers will create a mechanism for consulting with the parties' legal experts in human rights.

He said that the role of Socialist Party lawyers will be to convey their opinions to the executive; on the other hand, technical observations will be conveyed in the form of advice.

According to Escalona the right wing is in the process of "taking sides" as epitomized by the visit that Sergio Onofre Jarpa, former National Renewal, RN, senator paid to the headquarters of the UDI [Independent Democratic Union]. Escalona believes that this visit represents "a threat for RN President Andres Allamand, and could actually prompt a schism within the RN because Jarpa did not go to see UDI President Jovino Novoa to give him a 'bear hug' but rather to convey his support."

As far as Escalona is concerned, Jarpa went to see Novoa to make it clear that he was prepared to do whatever is necessary to prevent constitutional reforms in general, and the amendment of the Armed Forces Organizational Law in particular. Escalona believes that there is a growing polarization of Chile's right wing similar to what happened when the RN split in 1988. "The strange thing is that the split will not be prompted by the followers of [late] Jaime Guzman (who was the leader of the corporatist faction of the UDI at the time of the first split), but by Jarpa."

Asked about the Armed Forces commanders' rejection of the administration's bill aimed at reinstating the president's power to retire Armed Forces generals, Escalona answered: "One should not ask the impossible." He explained that when right-wing senators made it clear that they would reject the bill, "it was only to be expected" that the Army would reject it as well.

As far as Escalona is concerned, this situation confirms the need to keep pushing the administration's proposal through. "It is obvious that what is at stake here is a degree of Armed Forces autonomy from the president of the nation that goes above and beyond what a normal democratic system can allow," Escalona said.

Asked about the remarks of former Army Deputy Commander Julio Canessa (to the magazine COSAS) to the effect that whenever there are serious problems, the Armed Forces should take over, Escalona answered: "Canessa is the spokesperson for latent coupists, and I appreciate his sincerity, which is almost shameless."

Economy Minister Advocates Competition

PY0109220995 Santiago LA EPOCA in Spanish 30 Aug 95 pp B1-B2

[Article by J.W.: "Garcia Calls For Competition To Achieve Economic Democracy]

[FBIS Translated Text] At the end of this century the market economy has become the great winner of the ideological war. Its existence as a model of development prevails in the daily life of all citizens of this country. A market economy is accepted and practiced by those who until 20 years ago considered it the main evil not only of society and the economy, but of politics as well.

After a lot of water has passed under the bridge, a market economy is today the beginning and end of every concept of development of society. It is even considered concomitant to democracy: One cannot fully develop one without the other.

The economic model is no longer discussed in Chile, however some people doubt the benefits of the path chosen, considering that this country is following a system that is neither perfect nor complete.

Among those who think like this is Economy Minister Alvaro Garcia. He thinks there is a vacuum caused by a lack of culture of a broad, deep, and horizontal competitiveness. He basic idea is that "the products with greatest domestic competition are the most competitive in the international market.

He believes that the different national productive sectors are not aware of this. Not only the businessmen, but society as a whole have a passive attitude toward competitiveness, even though society lacks instruments with which to demand a greater and better supply.

We need more competitiveness because its absence "leads to inefficiency and if this occurs in a market of intermediate goods it affects the overall competitiveness of the economy," said the minister.

Passing on the Right

According to the minister, "a market economy was imposed on us by the right wing. Competitiveness, however, has become a kind of watchword for the progressive world and it is somewhat difficult to make our people understand why we need more competitiveness. It is as if something does not fit. At the same time, the local advocates of a market economy feel that the administration is working against them and confusing them.

However, there is a concept that justifies the former assertion and which is a key issue for the development of a market economy: economic democracy. If the idea must be put into practice, "competitiveness must be created because on the one hand it encourages efficiency, and on the other it promotes equality. Why does it stimulate efficiency? Because consumers will be strengthened and in turn they will demand quality, and because efficiency tends to reduce costs," Garcia said.

For example, better prices and quality in the most concentrated sectors of Chilean economy — such as basic services for companies like those of telecommunications, electricity, sanitation services, or ports — will turn any reduction of costs into an enormous, systematic gain of competitiveness."

Last year the long distance telephone service was opened up to competition and Chile soon went from having the highest long-distance telephone fees in the world to one of the lowest. This is a clear example of the benefits of a practice that when applied on an equal basis, everybody wins. The use of long-distance telephone service has increased.

Now, reinforcing competitiveness also requires giving greater power and consumer defense instruments to the consumers. A poll that was carried out recently shows that most consumers believe that publicity is deceiving, that the interest rates are too high, and that they are defenseless before the market economy.

"This means that there is an awareness that these problems have not been solved in the least during the four years that the Consumers Rights Bill was discussed in Congress. The Senate has refused several times to approve the creation of a consumers defense fund," Minister Garcia complained.

The mentioned bill, he said, aims at precisely granting a legal status to the consumers defense organizations so that they can legally present their cases or create regulating mechanisms on, for example, interest rates or at least information about them.

Importance of the Consumer

The minister not only complained about the slowness of Congress. He complained about the attitude of the Chilean businessmen "who still cannot conceive the importance of the consumer. When you talk with a Japanese or American businessman and ask him how to improve a product, they will tell you: Any businessman who wants to improve the competitiveness of a product must ask himself — What do the consumers want? — and they must adapt themselves to that. Having defined consumers represents an asset for businessmen. Chilean businessmen, however, think: Why should I get involved in more problems?"

Another important aspect in promoting competitiveness are the regulations to prevent monopolistic practices and abuses. This concept tends to gain force and it is observed by many as "the new face of socialism," Garcia stated.

However, he said, in conversation with industrialists from regulated sectors, he learned that they do not oppose this. "On the contrary, they appreciate a good regulating capacity by the administration."

But careful: The idea is to regulate as little as possible. If regulations are accepted in sectors like electricity and telecommunications, there is a basic principle that says the more competition, the less regulations required.

Garcia said that this consideration was not taken into account when regulations were established for the electricity sector. It is currently very difficult to establish regulations for this sector because there are companies that participate in both the generation and transmission of electricity and they can transfer their costs one to the other. There are likewise suppliers of so many different sizes that it is difficult to compare their costs.

"Our reasoning in drafting the law on sanitation services was to generate several companies and to prevent a large company from monopolizing a region and buying the company from the neighboring region to prevent a vertical integration. Within a sector that is acknowledged as noncompetitive, competitiveness can be feigned, thus reducing the regulations.

A vital aspect to improve the market system deals with small- and medium—sized size companies.

"If competitiveness is desired, businessmen must stand on an equal footing. I would say that this situation does not exist in the present. Companies have access to different resources at a different price and to different markets."

For the economy minister the improvement of the market economy and a greater promotion of competition should be based on: regulation and deregulation; PYME [Small and Middle Sized Companies] and equal conditions for businessmen; and a more active role for the consumers. This must be complemented with legal institutions like the National Economic Attorney's Office and the Committee of Distortions.

Mass Instruments

As for pending subjects, Garcia expects the Consumers Rights Law to be approved in the near future. As for the small- and medium- sized companies, their instruments have been defined but their use has not been extended. However, Garcia said a favorable situation is about to emerge and to produce a change — is the lifting of subsidies, especially the Simplified Refund [tax refund on exports].

The WTO demands the elimination of this instrument. During the next meeting of the Productive Development Forum we expect to discuss how to suppress the Simplified Refund, but still maintaining its benefits "we will transfer this to other instruments which have already been tested and proven to be efficient. They will be meant for sectors that have fund problems or lack resources."

A third point of this agenda are the regulations which is a subject in which we have made progress in a different way. The example is the different regulation frameworks established for the electricity and sanitation services. Garcia explained that sanitation services are subject to a so-called subrogate competitiveness. "Although there is no competition in this field, in Chile we have a very advanced and modern structure to establish its fares which is called an efficient company." It consists in theoretically establishing an efficient company and based on its operation, to establish the rate. As the company becomes modernized, its rate tends to drop.

"The problem of this method in the electricity sector, for example, is that we do not have information for building this efficient company. A French electricity company is of no use to us. The only thing that we can do in Chile, in the electricity sector, is to ask Endesa [National Electric Company]. This is the problem when the sector is controlled by a few companies. However, if there were many companies we could obtain more information, we could ask the south and the north for their input and thus build an efficient company based on real information," the minister said.

Colombia

Botero Denies Implicating Samper in Use of Illicit Money

PA0509011795 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1730 GMT 4 Sep 95

[From the "Colombia 12:30" newscast]

[FBIS Translated Text] [News Director Alberto Casas Santamaria] Former Defense Minister Fernando Botero Zea has described as totally false a CAMBIO 16 magazine report, claiming he had implicated President Ernesto Samper in the inquiry that is being conducted on Botero for using ill-gotten funds in the presidential campaign. Despite being held incommunicado, Botero has made his outrage known. In his words: As I said at the time of my resignation, I am only prompted by the desire to show President Samper's uprightness and honesty, and my loyalty to him is unyielding. Consequently, the statements by CAMBIO 16 magazine constitute a flagrant transgression, since it gave an incomplete account of what I told the prosecutors in the inquiry being conducted.

The former minister added that besides marring and ignoring due process, this violation entails a transgression of the law, and for that reason he has instructed his lawyers to take legal action against those who may be involved in the leak of information. The "Colombia 12:30" newscast has also been able to learn which statements Botero acknowledged and which ones he denied of all the remarks attributed to him. Of all the things that have been said against Botero, the "Colombia 12:30" newscast has been able to learn that one thing is clear. The former official admitted participating in the use and management of an account outside the country that — according to him — handled from 50 to 80 million pesos. He has denied all the other things that have been said against him. The "Colombia 12:30" newscast will continue reporting which things against the former minister is acknowledging. For the time being, the only thing clear is that Botero wants the country to know his loyalty to President Samper is unyielding. Although he has been cited for a statement he made, Botero maintained that it was a trite remark. He never meant it to be interpreted the way CAMBIO 16 magazine did.

Samper's Campaign Treasurer To Cooperate

PA0409202395 Madrid EFE in Spanish
1638 GMT 4 Sep 95

[FBIS Translated Text] Santa Fe de Bogota, 4 Sep (EFE) — Santiago Medina, former treasurer of Colombian President Ernesto Samper's campaign, has announced he will cooperate with justice officials in the investigation on the alleged drug traffickers' financing in last year's elections; he will reveal other things if he is offered a sentence reduction.

Medina, who was treasurer general for Samper's campaign as Liberal Party candidate, was arrested on 26 July and charged with illegal enrichment following the confiscation of documents on the Cali Cartel's transfer of funds to the electoral office.

According to a report broadcast by Radio Cadena Nacional (RCN), the Colombian Attorney General's Office appointed a special prosecutor to hear Medina's offer and verify if the evidence gives new clues on the process that provoked a crisis the administration Samper began on 7 August 1994.

Official sources said that, if the former treasurer's information is "new," the Attorney General's Office would offer a reduction in the sentence applicable to Medina. This must be approved by a "faceless" judge whose identity is protected for security reasons.

The former treasurer's lawyers, who requested the defendant be granted house arrest two weeks ago, have now decided to cooperate with justice officials. According to legal experts, if Medina is sentenced for illegal enrichment and perjury [falsedad procesal] he could get between five and 10 years in prison.

Nevertheless, if his cooperation is accepted, Santiago Medina could get a reduction of at least a third of his sentence.

The scandal unleashed by the Cali Cartel's alleged contribution — according to Medina it could total more than $5 million — worsened on 2 August with the arrest of Fernando Botero, former manager of the Liberal Party's campaign, who had resigned from the post of defense minister a few days before.

Aside from being one of the Colombian president's most trusted friends, Botero led from his ministry the arrest of Cali Cartel kingpins Gilberto and Miguel Rodriguez Orejuela, Jose Santacruz, and the surrender of three others.

When Botero resigned from the Defense Ministry he said he wanted to defend himself as an ordinary citizen, without his ministerial immunity and without jeopardizing official activities; while Samper said that, if the contribution of illegal funds was ascertained, this must have occurred "behind his back," and he had no intention of resigning.

Nonetheless, the Colombian weekly CAMBIO 16-COLOMBIA reported in its last edition that Botero — who is imprisoned in a military garrison — really "messed up" President Samper in his last statements.

Quoting sources from the Prosecutor General's Office, the weekly added that "naturally, in every political campaign the responsibility for collecting funds basically rests with the candidate himself."

Botero also denied having knowledge that Samper had had contacts with the brothers Gilberto and Miguel Rodriguez Orejuela, chiefs of the Cali Cartel who were arrested while hiding in that city on 9 June and 6 August, respectively, and who are now imprisoned in Santa Fe de Bogota.

Following the arrest warrant issued on 28 August to prevent Botero from leaving the place in which he is detained, the possibility that the former minister may be freed in less than one year while the case is defined becomes more distant.

In addition, several newspapers published a copy of a letter in which Medina confirms to the administrative director of the campaign, Juan Manuel Avella, the receipt of 32 million pesos (about $30,000) in cash and checks for double that amount donated by Elizabeth Montoya, wife of former policeman Jesus Sarria who is accused of drug trafficking.

Montoya surfaced in a recording in which she is conversing with Samper about contributions from multinational companies, as well as the alleged purchase of a diamond ring for the president's wife, Jacquin Strouss, who in turn denied having received it.

According to officials from the Prosecutor General's Office, Samper's campaign went way over the maximum of $4 million established by the National Electoral

Council as expenses in the two voting rounds for president, and this forced the directors of the campaign to hide many cash donations in the accounting books.

The same sources said that among the evidence offered by Santiago Medina is a computer disk that is apparently outside the country, and that, in addition to proving the ties the Samper campaign had with the Cali Cartel links, it also proves ties with the cartel from the Colombian Atlantic Coast.

De la Calle Denies Campaign To Destabilize Samper

PA0109142895 Madrid EFE in Spanish 1256 GMT 1 Sep 95

[FBIS Translated Text] Madrid, 1 Sep (EFE) — Colombian Vice President Humberto de la Calle Lombana, who is also Colombian ambassador to Spain, today categorically denied having indirectly participated in a campaign to destabilize Colombian President Ernesto Samper.

"Nothing is farther from the truth. I will not move a finger to destabilize the Colombian president," De la Calle said in a communique sent to EFE.

In the communique, De la Calle rejected the idea "that a few media sources have published in the sense that recent developments in Colombia are part of a plot in which the ambassador, as vice president, would be indirectly interested."

De la Calle also referred to the accusations against the Colombian president for the alleged financing of his electoral campaign with funds from drug traffickers, which he said the Prosecutor General's Office must clarify now.

"It is the prosecutor general's responsibility to determine if controls failed and apply the law to punish those who are responsible," he said after noting that during his electoral campaign Samper had the mechanisms to prevent the infiltration of money from drug trafficking.

De la Calle, who has not yet presented his credentials to Spanish King Juan Carlos, said in his note that the success of President Samper's government in the struggle against drug trafficking "shows that there is no connivance with drug trafficking, not even an attitude of concealment."

He added that facts have shown that Colombia is the country that more intensively fights against drug trafficking. "The crisis we are currently facing is a demonstration that Colombian society does not want to live with drug trafficking," he stressed.

Interior Minister Feels Samper Strengthened by Crisis

PA0109131695 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 1 Sep 95

[From "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] Medellin — Interior Minister Horacio Serpa Uribe voiced the opinion that President Ernesto Samper has been strengthened before the public with regard to Process 8,000.

[Begin recording] [Serpa] On one side, he has the backing of the law. He was elected in an honest contest to which all the people of Colombia can attest. He is a constitutional and legitimate president. In addition, during this difficult period, this legitimacy has been reinforced by the opinion of the majority of Colombians who want Samper to remain as president, since they support above anything else his efforts to bring about social justice in Colombia.

[Unidentified reporter] Do you feel the political and legal storm over this issue is over?

[Serpa] Politics is an unending series of storms. The important thing is to be able to have at the ship's helm a great captain, such as Ernesto Samper, guiding the destiny of Colombia. [end recording]

In Uruba, Serpa Uribe attended the National Security Council chaired by President Samper.

President Decrees New, Tougher Antikidnapping Measures

PA0209015895 Santa Fe de Bogota Inravision Television Canal A Network in 0000 GMT 2 Sep 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] As of today, the most severe antikidnapping measures ever implemented in our country will be effect.

The measures were adopted today by the government as part of the state of internal emergency decreed a few days ago. The most innovative aspect of these new measures include the figure of an antikidnapping czar.

Nearly 300 billion pesos have been paid out in ransom to kidnappers during the past three years in Colombia. This terrifying statistic, in addition to the more than 100 kidnappings recorded each month Colombia, today prompted President Samper to decree new measures.

The president stipulated that he is determined to prevent subversion and criminal organizations from getting rich by taking advantage of the suffering of others.

[Begin recording] The objective is to stop the wave of kidnappings, and for there not to be anymore kidnapping victims to release. We are aware that only when we have accomplished this goal will we really feel satisfied that we have fulfilled our duty with Colombia. [end recording]

The antikidnapping program will guarantee the confidentiality of the identity of every individual who decides to cooperate with the authorities, informants will receive rewards, judicial processes will speed up, and sentences against kidnappers will be severe.

In addition, investigation and intelligence gathering procedures will be stepped up, and protection will be granted to every individual who has undergone a kidnapping experience.

Special telephone lines will be set up so that any person will be able to provide information on the location of kidnapping victims.

Human Rights Ombudsman Leaves Country Due to Threats

PA0209020595 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 2 Sep 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Speaking about human rights, it is really ironic to have to announce that the human rights ombudsman was forced to leave the country because of threats against his life.

Human Rights Ombudsman Hernando Valencia Villa decided to abruptly abandon the country due to constant threats against his life.

This afternoon, Valencia decided to take a flight to Madrid, Spain, in view of the constant threats he had begun to receive, according to his own statements to the government, shortly after his request to dismiss Army General Alvaro Velandia Hurtado, currently commander of the Third Brigade stationed in Cali. The military officer's dismissal has not been made effective.

Valencia Villa is well-known in the Spanish academic circles, and it is possible that for this reason he decided to travel to Spain. However, the former ombudsman could also be appointed by the government to a diplomatic position in Hamburg, Germany.

With all certainty the international human rights organizations, where Valencia is well-known, will file a protest note and this event will have negative repercussions on the country's image.

Attorney General Comments

PA0209192695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1800 GMT 2 Sep 95

[Interview with Attorney General Orlando Vasquez Velasquez by unidentified reporters; from the "Cripton" newscast; place not given — live relay]

[FBIS Translated Text] [Reporter] Good afternoon, Mr. Attorney General Orlando Vasquez.

[Vasquez] Good afternoon.

[Reporter] Doctor, when did Hernando Valencia Villa, the designated human rights ombudsman, resign?

[Vasquez] He presented his resignation days ago, and he recognized the support that we always gave to his efforts. On 31 August, however, he insisted on his irrevocable resignation, because he had to immediately leave the country due to immense pressure, especially because of disciplinary and penal suits facing him. We must, nevertheless, believe what Dr. Valencia is claiming at this time.

[Reporter] Mr. Prosecutor General, did Mr. Valencia travel to Spain as a political refugee?

[Vasquez] I know nothing about that. At least he did not tell me before 31 August.

[Reporter] Doctor, were there threats against his life?

[Vasquez] He never said so to me. We, however, had offered him security months ago; we had reinforced his security due to the delicate proceedings that he was involved in, investigations throughout national territory. I repeat, he never said that he had been threatened, not even anonymously, neither he nor his family.

President Announces New Measures for Uraba

PA0109143195 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 1 Sep 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] During his visit to the area, President Samper announced the special measures that will be implemented in the Uraba region in Antioquia immediately.

In the military sector, a reward system will be implemented to further the arrest of guerrilla and paramilitary chieftains who are sowing terror in the banana region. Military intelligence will also be strengthened.

In the judicial sector, a witness-protection program will be implemented, the building of the Uraba jail will be speeded up, the establishment of the peace district will be supported, and the regional prosecutor's offices will be given the legal instruments to conduct raids and arrests in the area.

In the social sector, the Citizen Coexistence Corporation [Corporacion Convivencia Ciudadana] has been established. It will back the municipal mayors' programs and the relatives of the victims of massacres with investments that amount to 5 billion pesos.

In addition, the government will further an agrarian reform in Uraba and will issue land titles on cattle and banana farms.

Prosecutor Says State of Internal Disturbance Useful

PA0409010995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 2100 GMT 3 Sep 95

[From the "Cripton Newscast"]

[FBIS Translated Text] [Announcer] Prosecutor General Alfonso Valdivieso Sarmiento said that the state of internal disturbance the government recently decreed is quite useful to expedite investigations and legal processes.

[First unidentified reporter] The state of internal disturbance measures the national government took will facilitate the investigative tasks the Prosecutor General's Office is carrying out. In the opinion of Prosecutor General Valdivieso, with these tools, criminal organization will be confronted in a more effective fashion.

[Begin Valdivieso recording] I believe that the measures aimed at controlling all types of critical violent actions, particularly those stemming from criminal organizations, are useful to Colombian justice. We will see. The president has to announce other decrees that, of course, are still pending. However, we expect that, because these measures are directly linked to the reasons for which the state of internal disturbance was decreed, they will be able to facilitate the investigations and expedite the legal processes. [end recording]

[First reporter] Valdivieso admitted that there is impunity and believes that it is urgent to implement the new measures to reinforce justice in the country.

[Announcer] The prosecutor general also recognized he has known (Federico Valdez) for quite some time now. (Valdez) was detained on 31 August, and the Prosecutor General's Office, where he worked until a few weeks ago, is investigating him.

[Second unidentified reporter] (Valdez), who worked in Valdivieso's campaign to help him obtain a seat at the Senate by supporting then Liberal Party candidate Ernesto Samper, gained a vote of confidence from the now prosecutor General by being included in the list for Congress. According to what (Valdez) said, he is a member of the Movement for Liberalism. Once the hopes were over and once Valdivieso was appointed as prosecutor general, (Valdez) joined the Prosecutor General's Office as a second legal assistant assigned to the General Prosecutor Offices Secretariat. This man who spent only eight semesters in Law School has described himself as a fervent Galan follower. He occupied such positions as the mayor's office and a seat at the council of Istmina-Choco, his home town.

[Begin Valdivieso recording] He is an official who was recently linked to the Prosecutor General's Office. His position was eliminated not long ago. I indeed know him. [end recording]

[Second reporter] (Valdez) is now behind bars for unknown reasons.

[Begin Valdivieso recording] The reason seems to be that he could be linked with people interested in getting information on the processes in which people from Cali are involved. [end recording]

[Second reporter] The house where his family lives was raided on 31 August. The Prosecutor General's Office took documents, pictures and telephone lists from this house in order to allow authorities to establish whether there were ties between (Valdez) and the Cali Cartel.

Ecuador

Alarcon Says Dahik Trial To Strengthen Democracy

PY0109160895 Madrid EFE in Spanish 1403 GMT 1 Sep 95

[FBIS Translated Excerpt] Quito, 1 Sep (EFE) — Fabian Alarcon, president of the Ecuadoran Congress, today said that the penal charges and the congressional impeachment of Ecuadoran Vice President Alberto Dahik for alleged corruption should not alarm the citizenry because these proceedings strengthen democracy.

In statements to an Ecuadoran television network, Alarcon said that "there is no attempt to destabilize democracy that becomes stronger when charges such as this one are investigated. Therefore, people should not become alarmed. The vice president will enjoy every guarantee to defend himself, and will be dismissed from his post if found guilty." [passage omitted]

Alarcon added that "what is happening is very healthy for democracy because sometimes one needs to reach the bottom of the barrel to be able to regain optimism. There is nothing worse for the state of law than to be faced with a case of corruption and do nothing about it." [passage omitted]

The penal charges were acknowledged by Miguel Macias, who was president of the Supreme Court of Justice (CSJ) up until 22 August, when he was dismissed by Congress for a ruling that allegedly affected the Treasury.

Macias ordered the Ecuadoran Social Security Institute (IESS) to pay a multimillion sum as compensation to a private contractor, and charged Congress with conspiring against the independence of the state branches.

Miguel Solorzano, new CSJ president, has stated that before ordering any legal proceedings, he will review the entire case.

Dahik's attorney objected to the trial before the Constitutional Guarantees Court (TGC), which is supposed to accept or reject a report to be submitted by one of its committees that has already stated the trial is constitutional.

Army Commander Praises Peru's Fujimori

PY0509013895 Madrid EFE in Spanish
2113 GMT 4 Sep 95

[FBIS Translated Text] Quito, 4 Sep (EFE) — General Paco [Rosendo] Moncayo, Eucadoran Army commander general of Ground Forces, declared today that he counts on the sincerity of the reconciliatory speech made by Peruvian President Alberto Fujimori upon his arrival in Quito to attend the Ninth Rio Group Presidential Summit.

Gen. Moncayo told EFE news agency that he hopes the Peruvian head of state's "conciliatory" words "are sincere" because "both peoples are crying out for peace and reconciliation."

Gen. Moncayo also praised Fujimori's decision to reopen the border with Ecuador to trade. This decision was announced by Fujimori in Quito on 3 September, two months after Ecuador did so.

"I think this is a gesture that should have been made a long time ago. Nevertheless, it is a welcome decision," he said.

The Peruvian and Ecuadoran Armies waged an undeclared war from 26 January to 28 February 1995 in a border area that lacks demarcation.

Gen. Moncayo went on to say that the "neighboring countries are united by cultural, commercial, and even familiar ties that should not be strained on account of positions adopted by governments. Fujimori's decision is an important step forward so that the situation between both countries can return to normal."

He further stated that the presence of the Peruvian president in Ecuador "is desirable, appropriate, and necessary" to further the integration objectives of the Rio Group and the Andean Pact. Quito has been chosen as the venue for the Andean Pact and Rio Group presidential summits to be held today and tomorrow.

Asked whether there were greater prospects for a rapprochement between both countries on the occasion of the Peruvian head of state's visit to Ecuador, Gen. Moncayo replied: "One cannot expect much more from Fujimori (concerning the situation with Ecuador) because his attendance at this meeting is in response to a specific objective."

Fujimori stated today that his visit to Ecuador will be instrumental in advancing and benefiting the recovery of bilateral confidence now that six months have elapsed since hostilities between both countries ceased.

The Peruvian president told the press: "We have made strides in this process of recovering mutual trust. My visit, which is the best example of this rapprochement, will have beneficial effects for both countries. Peru's doors are also open for Ecuadoran President Sixto Duran-Ballen."

Having underscored the "unusualness" of his initiative to travel to Ecuador six months after hostilities ceased, Fujimori stressed that this reflects a "sincere and open" attitude on the part of Peru to try to settle the border dispute with Ecuador.

Alarcon Cites Need for More Trust With Peru

PY0109171795 Madrid EFE in Spanish
2053 GMT 31 Aug 95

[FBIS Translated Text] Quito, 31 Aug (EFE) — Ecuadoran Defense Minister Alfonso Alarcon today said that Peru and Ecuador need to develop more trust to start bilateral negotiations over the territorial disputes in the Amazon.

Alarcon also said that the arrival in Quito of Peruvian Ambassador Hugo Palma is "evidence that Ecuador and Peru are achieving a rapprochement."

Palma presented his credentials to President Sixto Duran-Ballen this week. During the ceremony, he expressed the hope that the territorial dispute will be resolved promptly within the framework of the Rio de Janeiro Protocol of 1942, which established the Ecuadoran-Peruvian border.

Argentina, Brazil, Chile and the United States are guarantors of the Rio de Janeiro Protocol. Although at the time Ecuador had declared the protocol "void" and "inapplicable," it currently upholds that the protocol is not applicable along a strip of land in the Amazon region because it does not depict the geographic situation of the region.

Alarcon said that other examples of trust would be the possible opening of the Ecuadoran-Peruvian commercial border that was closed in view of the war waged between 26 January and 28 February.

After stating that within the framework of the negotiations, "as there is more trust, we expect to replace some observers of guarantor countries with military observers from Ecuador and Peru."

The second Mission of Military Observers for Ecuador and Peru (MOMEP II), comprising military observers from guarantor countries, has been stationed near the disputed border area since 22 August, and will remain there until 20 November.

Peruvian Ambassador Signals Progress in Relations

95SM0485A Quito HOY in Spanish 25 Aug 95

[Editorial received via Internet]

[FBIS Translated Excerpt] The accreditation of Hugo Palma, a career diplomat, as Peruvian ambassador to Ecuador is one more symptom that the decline in tension between Ecuador and Peru is continuing.

The ambassador from Lima is a figure of the highest importance in the harmony which the two neighbors should maintain, despite historical differences on the subject of the border between them.

Let us not forget that one of the ingredients in the deterioration in relations in 1994, which led to the unfortunate military clash in the Alto Cenepa River area at the beginning of 1995, was the publication of an interview contracted for by the Embassy of Peru in which citizens of Ecuador were asked for their views on the Protocol of Rio de Janeiro of 1942.

Then it was considered by many groups that Eduardo Ponce Vivanco, the former Peruvian ambassador to Ecuador, had interfered in the internal affairs of Ecuador. This led to his being given the "cold shoulder" by some of the Ecuadoran press and by various political and even business groups.

It is to be hoped that Ambassador Hugo Palma will know how to conduct himself with the traditional caution and sensitivity of officials of the Ministry of Foreign Affairs of Peru. At least his first public statements appear to be aimed in that direction.

We are not unaware that his task will demand all of his talent, for the conflict in the Alto Cenepa area—like any war—left wounds which will take a long time to heal. Ecuador is seeking to overcome all of the difficulties left behind by war, not to ignore the fact that the two countries are committed to a process of peace whose objective is the definitive solution of the old quarrel between the two countries. Under present circumstances that process has presented itself as an historic opportunity for the two peoples to begin a common future of harmony, peace, and joint development. [passage omitted]

Additional Bodyguards To Protect Peru's Fujimori

PY0109232395 Quito Voz de los Andes in Spanish 1700 GMT 1 Sep 95

[FBIS Translated Text] Official sources confirmed this morning that more than half of the Ecuadoran bodyguards who will be assigned to protect the presidents attending the Rio Group and Andean Pact summits in Quito on 4 and 5 September will be protecting Peruvian President Alberto Fujimori.

One of the agents in charge of security, who preferred to remain anonymous, said that out of the 195 bodyguards assigned to the Rio Group and Andean Pact summits, at least 100 of them will protect President Fujimori.

The source said that all international delegates deserve protection but because of the border conflict and the war between Ecuador and Peru early this year, it is a good policy to take precautionary measures to prevent any incident. The source added that nothing will be overlooked in protecting the Peruvian president, who will also be accompanied by several members of his own security service.

Foreign Minister Comments on Rio Group Summit

Cuban Issue on Agenda

PA0209193595 Paris AFP in Spanish 1647 GMT 1 Sep 95

[FBIS Translated Text] Quito, 1 Sep (AFP) — The Cuban issue will be on the agenda of Latin American presidents at the ninth Rio Group summit scheduled for 4 and 5 September in Quito, Ecuadoran Foreign Minister Galo Leoro told AFP today.

He revealed that at the conclusion of the summit — at about midday on 5 September — the presidents will sign the so-called "Quito Declaration," that will basically include an important thrust for regional integration for the sake of peace, democracy, and development through the strengthening of institutions, modernization of states, and promotion of true social justice based on strict respect for human rights.

"The goal is to identify the essence of the dialogue for our next meeting with the European Union and to discuss the achievement of peace in the region through the principles contained in the UN and OAS Charters and ways to meet other commitments in the most adequate terms," Leoro added.

When AFP consulted him about the U.S. embargo against Cuba, the foreign minister replied: "A point called 'the application of extraterritoriality' is also part of the agenda.

"It is obvious that the Latin American group cannot allow a country to impose rules that must be applied and enforced in foreign countries as might be the goals of legislation from one of the countries of America," the minister said in reference to the United States.

As for the inclusion of Cuba in the Rio Group, he said that the main goal of this permanent mechanism for consultations and reaching political consensus is the preservation of the democratic system exercised through Latin American constitutions.

"Whether Cuba will join will depend on what criteria is used to apply this basic concept, which has been the basis of the Rio Group," Leoro noted. He stressed that "this will not depend on Ecuador's opinion but on a unanimous criteria, because everything is decided by consensus within the Rio Group."

Leoro reported that all documents and the Quito Declaration were privately analyzed on 31 August and 1 September by the coordinators of participating countries, and the conclusions will be examined by the foreign ministers on 3 September as a sort of final "filter" before they are placed in the presidents' hands.

Foreign Minister Leoro said that of the 14 countries that make up this Latin American forum (12 permanent members and two representatives of Central America and the Caribbean) the presidents of the following will attend: Argentina, Bolivia, Colombia, Chile, Ecuador, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

He added that Brazil will be represented by Vice President Marco Maciel and Trinidad and Tobago by Deputy Prime Minister [title as received] Lenny Saith.

"Basically the entire Rio Group will be attending and ready to work," Leoro pointed out.

Bilateral Actions Possible

PY0209025995 Quito Voz de los Andes in Spanish 2300 GMT 1 Sep 95

[FBIS Translated Text] Quito — Ecuadoran Foreign Minister Galo Leoro has said that the member countries of the Rio Group [at the ninth summit to be held in Quito on 4-5 September] will analyze the negative effects of the French nuclear tests in the South Pacific. France must understand that the rest of the world cannot accept such a policy, Leoro said. Leoro is current secretary of the Rio Group.

The Ecuadoran foreign minister added that the summit will also provide an opportunity to take bilateral actions and give the leaders the opportunity to get to know each other better, and to frankly discuss problems that can particularly affect one another.

Leoro added that President Sixto Duran-Ballen and the foreign minister are and will always be open to this type of dialogue. He said that if appropriate, the Quito government will be willing to discuss any matter with the Peruvian delegation. In Ecuador, anyone from the president down to the last Ecuadoran citizen is open and available to discuss matters which obviously concern the Rio Group as well, but also bilateral matters which could be of interest to the country.

Paraguay

Judge Rejects Indictment of Army Commander Oviedo

PY0109231695 Asuncion ABC COLOR in Spanish 1 Sep 95 p 2

[FBIS Translated Excerpt] Judge Carlos Monges yesterday reversed a pretrial inquest that had been filed against Army Commander General Lino Cesar Oviedo for violating the Constitution by involving himself in politics. The criminal judge concluded that the charges leveled by Deputy Francisco Jose De Vargas and Deputy Sergio Lopez do not meet the requirements established in the Criminal Procedural Law. Monges noted: "Substantial legal forms were omitted and mistakes were committed, which, pursuant to legal provisions, nullifies the proceedings." Attorney General Anibal Cabrera Veron has announced that he will appeal the ruling issued by the judge.

With the measure taken by Judge Monges, the indictment of Gen. Lino Oviedo for participating in partisan politics while on active duty has been filed away. Therefore, this is the second time that the courts have prevented the Army commander from being investigated for allegedly violating the Constitution. The first time was last year, when then Judge Jose Agustin Fernandez, currently a court of appeals judge, decided against a pretrial inquest of the Army commander. On that occasion, electoral controller Miguel Angel Aranda pressed charges against the Army commander for his involvement in political activities. [passage omitted]

Military Commander Says Armed Forces Support Wasmosy

PY0109210195 Asuncion ABC COLOR in Spanish 1 Sep 95 p 4

[FBIS Translated Text] Military Forces Commander General Silvio Noguera yesterday emphasized that the Armed Forces are aware of the fact that there is no longer any room for coups d'etat under a democratic system. He noted that the Armed Forces obey the president. After meeting the president at the Lopez Palace, Noguera met the Army, Navy, and Air Force commanders. Noguera described as "an obvious measure" the indictment of [Army Commander] General Lino Cesar Oviedo that was approved in the first instance. The military forces commander emphasized that this measure "represents a test for the new judicial branch."

Concerning the indictment of Gen. Oviedo, the military forces commander emphasized that this case must be resolved by the courts. He denied the existence of any goals to "hold back" the course of the proceedings. With regard to the ruling initially issued by Judge Gonzalez Rioboo, Gen. Noguera said: "In our opinion, it is an obvious measure for him to take." Reviewing the Oviedo case, Gen. Noguera noted: "It represents a test for the new judicial branch."

After confirming that the coup rumors are totally groundless, Noguera emphasized that these coup rumors did not originate in the Armed Forces. He pointed out that the military echelon fully obeys the president because it is aware of the fact that there is no room anymore for "these coup situations" under a democratic system. Noguera visited Government House, where he met President Juan Carlos Wasmosy.

Gen. Noguera said: "It is not possible to prevent rumors. How many times have there been coup rumors?" He asked: "On how many occasions, however, did they actually happen?" With regard to his meeting with the commander in chief, Noguera noted that he wanted to ask for permission to visit Army Commander Lino Oviedo, Navy Commander Carlos Guillermo Lopez Moreira, and Air Force Commander Cesar Cramer. Gen. Noguera pointed out that he wanted to express to the Army, Navy, and Air Force commanders that Wasmosy trusts in the Armed Forces. He added that institutionally, the military echelon believes the population must not be concerned over these rumors. He emphasized that the military echelon is subordinated to the commander in chief.

Asked whether he had been given the mission of expressing any special message from the president to the military leadership, Gen. Noguera responded: "The president of the Republic actually is satisfied with the way in which the Armed Forces are functioning." He added that the military echelon also trusts in Wasmosy. Gen. Noguera emphasized that "the rumors do not represent or truly express the goals of anyone" in the military echelon.

Gen. Noguera noted that he favors free and open discussions on military issues. He said: "We do not want unanimous criteria." He asked: "How can democracy stand if there are no dissenting opinions?"

Military Commanders Receive 'Unusual Tour'

PY0109224195 Asuncion ABC COLOR in Spanish 1 Sep 95 p 5

[FBIS Translated Text] The Army, Air Force, and Navy commanders, the Military Forces commander, and the chief of the joint staff received an unusual tour of the offices of the Army commander, Air Force commander, and Navy commander on 31 August. The official report noted that the tour was aimed at delivering a message from [Armed Forces] Commander in Chief Juan Carlos Wasmosy, acknowledging the loyal allegiance of his subordinates. Nevertheless, there was speculation that the tour was actually aimed at raising the level of confidence, especially between the Army and the Air Force.

General Silvio Rafael Noguera (Military Forces), General Lino Cesar Oviedo (Army), General Cesar Cramer (Air Force), General Oscar Diaz Delmas (Office of the Joint Chief of Staff), and Vice Admiral Carlos Guillermo Lopez Moreira (Navy) toured the Army, Air Force, and Navy headquarters.

According to a report released by the Social Communications Directorate of the Military Forces, the unusual visit to the military centers had been ordered by the commander in chief, Juan Carlos Wasmosy. The official three-point report cites the aforementioned goal as follows:

1. To deliver the commander in chief's message to his commanders that, since his inauguration, the commander in chief has continued to receive the most solid allegiance of the Paraguayan Armed Forces and their support for all his efforts;

2. Therefore, the commander in chief maintains his confidence in the task being developed by the military echelon, which has initiated the current democratic process and is still pursuing its enhancement;

3. The Military Forces commander also said that the Armed Forces, abiding by the principles of chain of command and subordination, would continue to pursue the enhancement of the democratic process, based on the

harmony and respect existing between the commanders and the rest of the Paraguayan Armed Forces members.

Despite the official report, there was speculation that the visits to the military units were actually aimed at raising the level of confidence among the military forces, especially between the Army and the Air Force. Apparently, Oviedo has had some misgivings after Cramer transferred some planes to Ayolas, which represents a concern for the Army commander.

With regard to this issue, Oviedo allegedly believed those actions had to be reported, but it seems that the Air Force commander has a right to carry them out. Cramer also has a right to order air drills, which allegedly have been annoying Oviedo.

Peru

'Outstanding Agenda' Urged for Rio Group

PY0109164095 Lima EXPRESO in Spanish 16 Aug 95 p A27

[Article by Alejandro Deustua C.: "An Agenda for the Rio Group"]

[FBIS Translated Text] The summits of the Rio Group, like most multilateral summits, usually have agendas with numerous and disparate issues. The upcoming Rio Group summit set to be held in Quito in September should avoid that and concentrate on defining a tighter agenda. There are important issues that should be discussed in the summit, such as the weakness of many Latin American democracies, the greater vulnerability of some economies that have recently been liberalized, the slow (but constant) progress of the process of regional and hemispheric integration, and the persistent lack of stability of the international situation. These issues deserve attention in order to create corrective policies and to overcome the attitude of some presidents who come to the meeting only to make a general review.

Some of the symptoms created by the Mexican crisis continue to persist in various countries of the region (big deficits in current accounts and dependence on short-term external financing), including the negative effects of its correction. There is also the possibility that a third South American president in less than five years will be removed from office for corruption (Colombia). Civilian-military relations (Chile and Argentina) are also worsening. And there is also the regional impact created by the uncertainty of the real situation with regard to very important economies (those of Japan and the United States). These events are serious enough for Latin America, and they strip away the credibility of rosy communiques that avoid the real problems.

The upcoming summit in Quito will be held within a context in which the enthusiasm for the consolidation of hemispheric democracy, which was stimulated under the protection of the OAS early in this decade, may be declining. The task of collective defense of democracy — in which Peru participated first as one of the contributors to the hemispheric commitments on this issue and later as victim of the coercive measures it contributed to regulating — should be reviewed in the light of the proliferation of the weak points now appearing in the system. The risks of new military coups in the region (although this is a current concern as a result of the civilian-military relations in Chile and Argentina and the past Peruvian experience) are perhaps less important than the absence of solid institutions capable of sustaining democracy against the corruption installed in them (Colombia or Mexico), the presence of a legitimized political boss (Peru or Argentina), or the substantial loss of credibility due to lack of ability to obtain consensus (Ecuador or Venezuela).

The weakening of the political system in the entire South Pacific, part of the Caribbean and North America, and its deterioration in part of the River Plate Basin — which jeopardizes the terms of the alleged uniform regional political system — should trigger an evaluation of the mechanisms for advancement and the instruments for joint actions in the hemisphere (with more emphasis on advacement); the establishment of new criteria on political and regional coordination (like the ones implemented by the Andean Group at one time); and, in particular, the definition of general guidelines for consolidating national institutions and, subsequently, the state.

The economic issue that should be reviewed in Quito could be defined as the one involving the disappearance of two of the three prototypes of liberal reform in the region (Mexico and Argentina). The corrective measures to overcome the Mexican crisis are yielding fruits in that country (thanks in part to the exceptional foreign support), but at the cost of a strong recession with inflation that has resulted in increased unemployment and depressed salaries. In Argentina, the control over the "tequila effect" (also with foreign aid) has allowed recovery with slow growth, but the social cost of the new adjustment is a new burden on top of the social cost of the original program (the situation is more complex than the Mexican crisis because the equal exchange rate of 1 peso for $1 does not allow an improvement in the trade balance. The improvement can only be made through fiscal measures and the reduction of production costs, which implies a greater reduction of salaries). Furthermore, the existing economic prototype (Chile) and the greatest regional economy (Brazil) have introduced some kind of financial and commercial neoprotectionism (Chile imposed taxes on short-term capital and Brazil set quotas and custom duties above the external tariff of the Mercosur [Common Market of the South] on some imports).

Furthermore, because of the growing pressure to satisfy the basic social requirements and to promote industrialization, support has been expressed for the rhetoric advocated by the ECLA [Economic Commission for Latin America]: "growth with equity" in some countries (Argentina) and in some groups (Andean Group with Peruvian presence). In this regard, the Rio Group must make a diagnosis of the situation prevailing after the Mexican crisis and point out guidelines to increase internal savings, reduce financial dependence, fight effectively against unemployment (measures intended to generate employment are definitely insufficient), and improve and increase the attention given to social requirements within the framework of consolidating the market economy.

Within the framework of integration, the Rio Group cannot excuse itself from providing its support for the process of hemispheric integration, highlighting the compatibility of the Andean Group and Mercosur. As a Latin American Group, the Rio Group should give priority to the creation of a South American free trade zone born from the merger of the Andean Group and Mercosur. But Mexico and the Central American and Caribbean countries would oppose this plan if it is considered to be an alternative to the hemispheric integration program. Therefore, the support for the developments of the Miami summit should be emphasized. Within that framework, the Rio Group must seriously convey to the United States its concern for the unilateral handling of interest rates which, among other instruments of similar autonomy, substantially affect the economic conditions of the Latin American countries.

The Quito summit can become credible for Latin America only if the Rio Group establishes an oustanding agenda.

Congress Supports Cabinet; Opposition Wants Specifics

PY0109185095 Madrid EFE in Spanish
0424 GMT 24 Aug 95

[FBIS Translated Excerpt] Lima, 23 Aug (EFE) — Congress reaffirmed its confidence in President Fujimori's cabinet on 23 August by approving a motion to this effect following the prime minister's outline of the government program for the next five years. Of the 113 congressmen present, 86 voted for the motion, three voted against, and 24 abstained. The Peruvian Congress has 120 members.

Dante Cordova, prime minister and minister of education, outlined the administration's policy, and the other 14 ministers answered the questions that congressmen posed during the two days — 22 and 23 August — that the cabinet briefed Congress. [passage omitted]

Spokespersons for the opposition have said that the prime minister's speech was too general and did not focus on specifics of the struggle against poverty that plagues half of Peru's population of 22 million, nor did it address other national problems like unemployment. [passage omitted]

Private Sector Set To Double GDP

95SM0488A Lima ANDINA in Spanish 19 Aug 95

[Received via Internet]

[FBIS Translated Text] The Peruvian Entrepreneurial Plan is setting for itself a 10-year program of goals that call for doubling the GDP, quadrupling exports, increasing investment by $100 million, and increasing domestic savings by a sum equal to more than 20 percent of the GDP.

These estimates were made by the Lima Chamber of Commerce in commenting on the proposal presented by the National Confederation of Private Business (CONFIEP) and prepared by "Pro Desarrollo," an organization headed by former Senator Miguel Vega Alvear.

The Chamber explains that the plan represents a joint effort by CONFIEP, the Exporters Association (ADEX), and the IDA [International Development Association].

The plan consists of an exhaustive evaluation and analysis of the extensive resources that the nation possesses.

It indicates that certain adjustments in economic policy are required in order to facilitate and ensure that the business sector—both domestic and foreign—is able to invest in seven geoeconomic zones and three geoeconomic subzones that contain enormous resources awaiting exploitation.

The plan urges the public and private sectors to give their full support to an export model that will enable Peru to establish itself as a model exporting country that is without precedent.

It explains that attainment of this objective requires the fulfillment of certain prerequisites, including the revival and modernization of the agricultural and livestock sector and its coordination with the agroindustrial export sector.

A new, more competitive, and more efficient process of industrialization is also required: one that is linked to development of the agricultural and livestock, mining, and fishing sectors.

The mining and fishing industries must also be given new impetus through the establishment of a master policy that will encourage productive technological development.

Another requirement is the creation of an infrastructure of energy production and distribution, highways, and ports that is capable of sustaining substantial growth in the agricultural, agroindustrial, mining, fishing, manufacturing, commercial, construction, and tourist industries.

Lastly, new poles of development must be established with a view to encouraging genuine decentralization that is linked to the activities of the agroindustrial, fishing, mining, manufacturing, and tourist sectors.

Experts Urge More Investments for Job Creation

95SM0488B Lima EL COMERCIO (EL DOMINICAL Supplement) in Spanish 30 Jul 95 p 3

[Article by Dr. Maximo Vega-Centeno of the Catholic University: "Future Objectives," and interview with economist Gianfranco Castagnola of Apoyo: "Jobs Are the Main Problem"; places and dates not given]

[FBIS Translated Text]

I. Dr. Maximo Vega-Centeno: "Future Objectives"

During the past five years the government's policy has unquestionably obtained major successes in three areas of fundamental importance. On the one hand, inflation has been reduced substantially, the public finances are in better shape, and progress has been made toward reincorporating Peru into the international financial system, although the first two of these successes were admittedly obtained at the cost of a recession and unemployment and the third was achieved by assigning priority to service on the debt. Moreover, the reduction in violence that has occurred is a basic precondition for developing continuous activity and preparing plans.

On the other hand, the "structural reforms" consist of nothing other than a change in the rules of the game, a series of requirements, and guarantees for the business community. Moreover, they were developed without either obtaining or creating a consensus—a fact that will make them vulnerable in the long run. All of these reforms aim at liberalizing markets, privatizing decisions and responsibilities, freeing business firms and institutions from taxes, and eliminating regulations that protect workers and the general public. To be sure, many things needed to be corrected: there was a need to make some rigid restrictions more flexible and even to eliminate some excessive protection. However, a political climate in which debate is avoided and alternatives are disregarded—together with a willingness to carry the free-market concept to an extreme—have created, at least in principle, a potential for excesses that will prove to be just as negative as the excesses that the reforms were designed to correct, if not more so.

An initial problem is accordingly posed for the immediate future, namely the need for a careful revision of some of the rules and decisions that have been made. Revisions and improvements are not signs of weakness but examples of democratic capability and receptiveness, including the ability to evaluate one's own experience, as exemplified in connection with the new law concerning the pension systems.

A second problem concerns growth, and more precisely the spectacular growth of the last two years. This growth is produced above all by the agricultural and livestock sector and by the fishing sector: that is to say, by two sectors whose development depends on the climate—a variable that cannot be controlled, at least from the economic standpoint. Nothing can guarantee abundant and timely rainfall or the appropriate performance of the submarine currents, with the result that we still lack the ability to create controllable conditions for stable growth. Rather than growth that is "miraculous" but ephemeral, what is needed is constant growth (even if at a lower rate) that is achieved by the creation and modernization of production capacity in all sectors of the economy: that is to say, by investment in machinery and equipment for production. A policy of public investment and of stimulation and orientation (but not direction) of private investment is therefore an indispensable complement. To believe in growth that is based solely on the more efficient use of installed capacity is to return to the illusions of 1986 and run the risks of 1988, inasmuch as that capacity—in addition to being poorly utilized—is inadequate and does not permit either efficiency or competitiveness.

A third problem is the fact that this growth should create jobs, in an era when there is an excess labor supply that is moreover increasing at a rate close to 3 percent, which translates into approximately 150,000 additional job seekers each year. This situation requires a continuation of efforts to create new activities in all sectors. Once again, job creation depends on the amount and technical content of the investments, not just on making the labor market more flexible.

A fourth problem is the one that relates to the external sector, and in this connection—in addition to substantial problems regarding the balance-of-trade deficit, the real exchange rate, and trade policy (tariffs and regional integration)—it is necessary to proceed beyond an almost exclusively commercial or financial vision of the external sector of the economy. Genuine incorporation—or reincorporation—of the Peruvian economy into the international financial system also requires the presence of Peruvian products in the world's markets, and this presupposes the development of a level of production sufficient to provide an exportable supply. Again, this calls for efficient production in terms of price, quality, and dependability of delivery, and this in turn presupposes transformation of the existing production structure—a process that should have the benefit of community support and leadership.

In the coming years, public policy should be readjusted and supplemented in accordance with broad objectives, and it is hoped that there will be intense and creative participation by the business community.

II. Interview With Gianfranco Castagnola: "Jobs Are the Main Problem"

[EL COMERCIO] What are the government's principal successes in the economic area?

[Castagnola] They are basically three in number:

1. The government has made progress in the area of economic stabilization. The inflation indicators are at levels comparable to—or below—those of the other Latin American countries.

2. It has carried out a series of structural reforms. This has resulted in a more efficient allocation of resources and in healthy and sustained growth.

3. It has reincorporated us into the international economy. We should remember that Peru did not appear on any world economic map made in 1990, whereas it now offers opportunities for investors.

[EL COMERCIO] To what do you attribute the plan's success in these respects?

[Castagnola] Peru is a country that has weak institutions, and not just at the present time; it had them during previous governments as well. The success of the economic plan is due to the determination on the part of persons associated with the government, the ministers of the economic ministries, and the president himself to persist in its implementation. We should remember that there were difficult years—notably 1991 and 1992—when the program could have faltered.

[EL COMERCIO] What sectors of production achieved the greatest development in these years?

[Castagnola] There was growth in all of them, but the greatest growth took place in construction, which grew by more than 80 percent, followed by fishing (67 percent), manufacturing and trade (32 percent), agriculture (30 percent), and mining (24 percent). Although the mining sector recorded the least growth, it is one of the sectors that has the best prospects, because it has received a large quantity of investment. Another sector that experienced growth is the government itself, as the result of an increase in tax revenue collected, which in 1990 equaled 4 percent of the GDP and today is more than triple that figure.

One thing that I want to emphasize, however, is the concept that in a more open and competitive economy such as today's economy, we should no longer talk in terms of sectors but in terms of companies. It is possible for a company in the textile sector to do very well and export 95 percent of its production while another company in the same sector does very poorly. It is companies that do well or badly, not just sectors.

[EL COMERCIO] What are the problems that remain for us to solve?

[Castagnola] Unemployment is the single greatest problem facing the Peruvian economy for the medium term. Its cause is not economic policy, however, but the lack of investment—which has been the case for the past 25 years—while the requirements of a more competitive economy have caused companies to lay off manpower that could not be reabsorbed. Well then, what can the state do? I believe the state must create the conditions that will enable the private sector to provide jobs, but from time to time it adopts measures that have the opposite effect. There are labor-related charges such as the FONAVI [National Housing Fund], for example, that drive up the cost of labor.

The other important subject that remains for us to solve is governmental reform. There is a substantial consensus as to what areas require intervention by the state, but we have not determined how that intervention should be organized or how its functions should be apportioned and decentralized.

[EL COMERCIO] Another serious problem is the exchange rate differential and the deficit in the balance of payments.

[Castagnola] This problem is so sensitive that the government's approach to its solution can be described as a gamble. Imports currently exceed exports, and the differential is being covered by the flow of capital from abroad. The problem persists, however. During the past

20 years Peru has always solved its balance-of-payments problems by decreasing imports through the medium of adjustment programs. This time, however, I believe the government does not want to use this formula and instead is gambling that exports will increase, especially in the mining and petroleum sectors. It is also gambling that tourism will generate large quantities of foreign exchange. It is anticipated, for example, that between $6 billion and $8 billion will be invested over the next few years, and that these investments can solve the balance-of-payments problem. While all this is taking place, however, the flow of capital (direct investment, privatizations, portfolio investments, and loans) will have to continue filling the gap. As I say, the government has taken a gamble. If it loses, we shall have a devaluation and/or a decrease in the reserves of the Central Reserve Bank in order to cover the deficit in the balance of payments—actions that could have negative repercussions in a financial system that is "dollarized."

I believe we will know within the next two years whether the government's gamble in this area was a good decision or not.

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 352
MERRIFIELD, VA.

This is a U.S. Government publication produced by the Foreign Broadcast Information Service (FBIS). Its contents in no way represent the policies, views, or attitudes of the U.S. Government.

FBIS collects, translates, disseminates, and analyzes foreign open-source information on behalf of the U.S. Government. Its publications may contain copyrighted material. ***Copying and dissemination is prohibited without permission of the copyright owners.***

— Bracketed indicators before the first sentence of each item describe the way in which the material was processed by FBIS.

— Headlines and all bracketed explanatory notes are supplied by FBIS.

— Personal and place names are rendered in accordance with the decisions of the U.S. Board on Geographic Names as adapted by FBIS. Unverified names in radio and television material appear in parentheses and are spelled phonetically; words and phrases in parentheses preceded by a question mark are unclear in the original and deduced from context.

SUBSCRIPTION INFORMATION

U.S. Government Customers

For a list of FBIS products, to subscribe to an FBIS publication, or to indicate a change of address contact:

FBIS
P.O. Box 2604
Washington, DC 20013-2604
Telephone: (202) 338-6735
FAX: (703) 733-6042

Non-Government Customers

Subscriptions are available from the National Technical Information Service:

NTIS
5285 Port Royal Road
Springfield, VA 22161
Telephone: (703) 487-4630
FAX: (703) 321-8547

New subscribers should expect a 30-day delay in receipt of the first issue.